

The Village of

# ROYAL PALM BEACH

FLORIDA



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

**Comprehensive Annual Financial Report**  
**For the FISCAL YEAR ENDED September 30, 2017**

## **INTRODUCTORY SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**VILLAGE OF ROYAL PALM BEACH, FLORIDA**  
**Fiscal year ended September 30, 2017**

Prepared by the Finance Department

VILLAGE OF ROYAL PALM BEACH, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2017

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# Village of Royal Palm Beach, Florida

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

Department of Finance  
Stanley G. Hochman, Director

March 5, 2018

Mayor Fred Pinto  
Vice Mayor Richard Valuntas  
Councilman Jeff Hmara  
Councilwoman Selena Smith  
Councilwoman Jan Rodusky

The Honorable Mayor and Village Council:

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 U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Village of Royal Palm Beach for the fiscal year ended September 30, 2017.

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

The Village of Royal Palm Beach's financial statements have been audited by Caler, Donten, Levine, Cohen, Porter & Veil, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Village of Royal Palm Beach for the fiscal year ended September 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Village of Royal Palm Beach's financial statements for the fiscal year ended September 30, 2017, 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.

v

Fred Pinto  
Mayor

Richard Valuntas  
Vice Mayor

Jeff Hmara  
Councilman

Selena S. Smith  
Councilwoman

Jan L. Rodusky  
Councilwoman

Raymond C. Liggins  
Village Manager



Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **Profile of the Government**

The Village of Royal Palm Beach, incorporated in 1959, is located in the central western part of Palm Beach County, which is considered to be a top growth area in the County, and one of the top growth areas in the State. The Village of Royal Palm Beach currently occupies a land area of 12 square miles and serves a population of approximately 37,500. The Village of Royal Palm Beach is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Village Council.

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

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

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



## Factors Affecting Financial Condition

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

**Local Economy:** Overall, the projected value of properties within the Village increased from \$2,510,049,000 to \$2,701,558,000 during FY 2017 representing a 7.6% increase. This increase in overall valuation is a result of new residential, commercial, and industrial construction, as well as a general increase in the value of existing property. The Village of Royal Palm Beach has experienced a significant increase in both residential and nonresidential development applications in 2016 and 2017 compared to recent fiscal years past. There are also positive signs that the upward trend in development applications may continue through 2018 due to the activity in land use changes, site plan approvals; and annexations that occurred in 2016.

The majority of residential units constructed between the years 2000 and 2006 were located primarily within the Madison Green, Anthony Groves, Bella Vita, Barcelona and The Estates residential communities. Since development of these projects has been completed, much of the residential construction occurred within PortoSol by Minto and buildout of The Enclave Multifamily development, in 2015. Currently the residential construction within the Village is centered around Cypress Key MXD, Pioneer Estates, and Southern Boulevard Phase I North. In time, this will shift to Southern Boulevard Properties Phase I South and the Crestwood Redevelopment Site. These current and future development projects possess valid development orders consisting of a total of 1,148 residential units of which none have been entirely completed.

Fiscal years 2015 and 2016 saw a more customary amount of nonresidential construction occur within the commercial segment of the land development market, as compared to recent years past. Certificates of Occupancy and Building Permits were issued for the construction of a 5,928 square foot gas station and a 31,670 square foot, 60 room hotel.

**Long-Term Financial Planning:** As a result of new developments utilizing a big portion of the vacant land within the Village, and with only limited opportunities to annex new vacant lands, it is estimated that the Village could potentially be built out by the end of 2030 in terms of new residential and nonresidential development.

Currently, there are 1,148 approved but unconstructed residential units (Southern Boulevard Properties Phase I South, Pioneer Estates, Southern Boulevard Properties Phase I North, Crestwood Redevelopment Site, and Cypress Key) available for actual construction during this timeframe without additional annexation. In the near future it is anticipated that the residential construction within the Village will revolve around these projects for the remainder of FY 2017/2018 and beyond.

It is anticipated that future industrial development will be concentrated within the Aldi Park PID, the remaining portion of Sawgrass Center, and various other industrial sites totaling 10.8 acres; and in all total 386,718 square feet. It is anticipated that these properties will support the industrial development within the Village for the next 5 to 10 years.

It is anticipated that commercial development will occur in the near future within the Cypress Key MXD, Al Packard Ford, and Sunshine Properties. Other developments such as Corporate Center West, Parcel 115, Sawgrass PID, Southern Palms Crossing, Southstar Self Storage, Waterway Plaza,

and Village Professional Park; along with additional properties that haven't received Site Plan approval but total 113.99 acres, will provide development potential for the Village in the longer term.

#### **For the year:**

During the year the following major accomplishments occurred:

- Updated the strategic plan for the Village with the assistance of a third party consultant who facilitated input from the Council, senior staff and the general public.
- Adopted a budget that maintains the Village's high levels of service while maintaining the current ad valorem tax rate.
- Commons amphitheater and restroom construction completed.
- Sparrow pedestrian bridge and pathway completed.
- Crestwood Blvd on-street bike path and roadway/drainage improvements completed.
- Saratoga drainage and roadway reconstruction completed.
- ADA transition plan completed.

#### **For the future:**

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

The following are priority goals that the Village has adopted for fiscal year 2018:

- Cultural Center expansion & remodel.
- Ponce De Leon/La Mancha roadway reconstruction and drainage improvements.
- RV Parking lot Phase II.
- ADA kayak launch.
- Various traffic calming studies/projects.
- Okeechobee Blvd lighting construction.

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

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

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

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

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

## **Awards and Acknowledgements**

**Awards.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Royal Palm Beach for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2016. This was the twenty sixth consecutive year that the Village has received this prestigious award.

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

In addition, the Village also received the GFOA's Distinguished Budget Presentation Award for its 2016/2017 annual budget document. This was the twentieth consecutive year that the Village has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the Village's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "R. C. Liggins", written over a horizontal line.

Raymond C. Liggins  
Village Manager

A handwritten signature in blue ink, appearing to read "Stanley G. Hochman", written over a horizontal line.

Stanley G Hochman, CGFM  
Director of Finance



Government Finance Officers Association

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

Presented to

**Village of Royal Palm Beach  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morill*

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

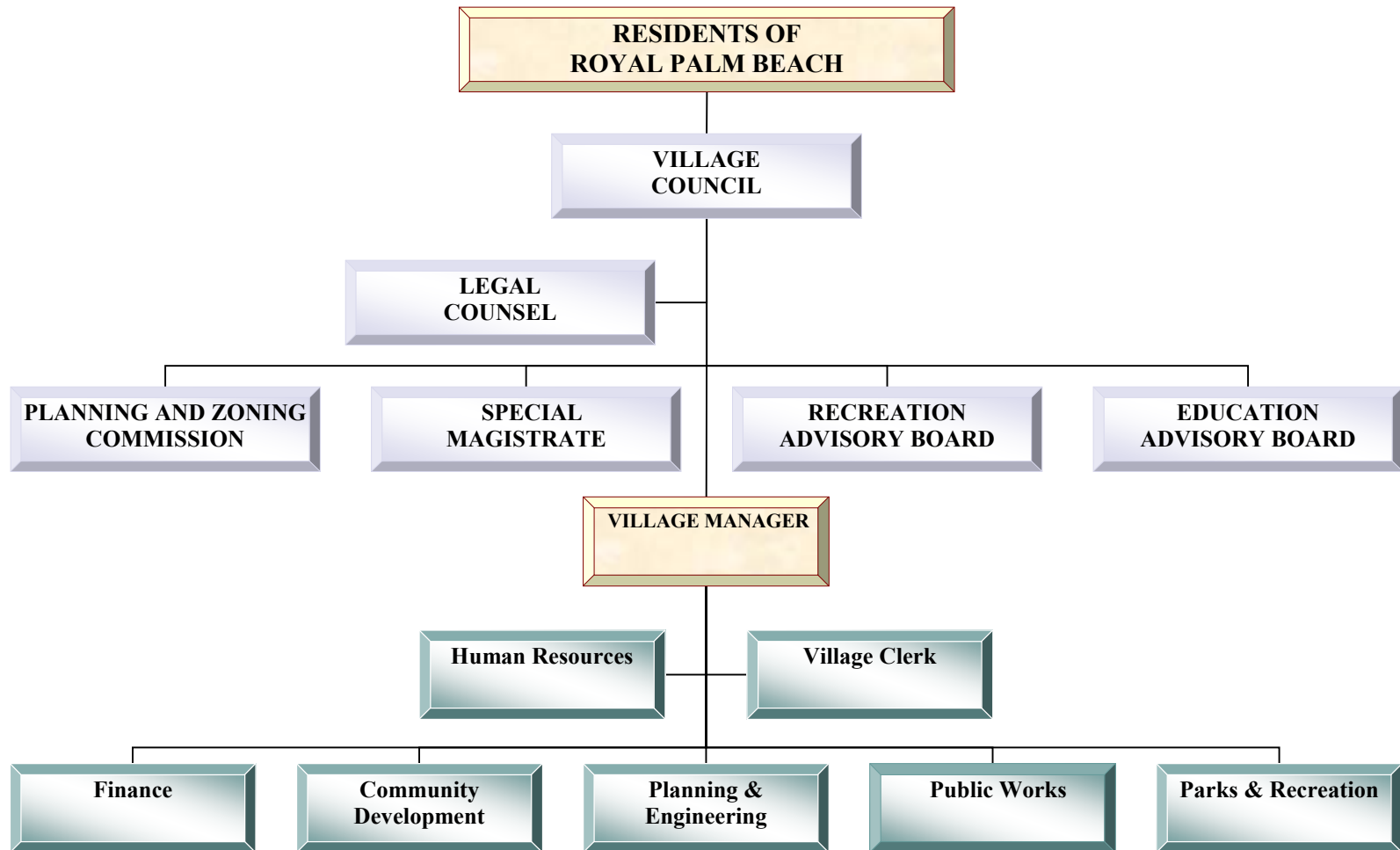
**Village of Royal Palm Beach  
Florida**

For the Fiscal Year Beginning

**October 1, 2016**

Executive Director

# Village of Royal Palm Beach Organizational Chart





**VILLAGE OF ROYAL PALM BEACH**

**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2017**

Mayor .....Fred Pinto

Vice-Mayor .....Richard Valuntas

Councilman .....Jeff Hmara

Councilwoman.....Selena Smith

Councilwoman.....Jan Rodusky

Village Manager .....Raymond C. Liggins

Director of Human Resources .....Monika Bowles

Village Clerk .....Diane DiSanto

Director of Community Development .....Robert Hill

Director of Finance .....Stanley G. Hochman

Village Engineer .....Christopher Marsh

Director of Planning and Zoning .....Bradford O'Brien

Director of Parks and Recreation .....Louis Recchio

Director of Public Works .....Paul Webster

Village Attorney .....Jennifer G. Ashton

## **FINANCIAL SECTION**



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

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401-5948  
TELEPHONE: (561) 832-9292

850 NW FEDERAL HIGHWAY, SUITE 121  
STUART, FL 34994-1019  
TELEPHONE: (772) 872-2123

info@cdlcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

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

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Royal Palm Beach, Florida, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 to 10, the budgetary comparison information on pages 54 to 59 and the pension information on pages 60 to 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining 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 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 U.S. generally accepted auditing standards. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, on our consideration of the internal control over financial reporting of the Village of Royal Palm Beach, Florida, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Village's internal control over financial reporting and compliance.

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

West Palm Beach, Florida  
March 5, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

### **FINANCIAL HIGHLIGHTS**

- The assets of the Village of Royal Palm Beach exceeded its liabilities at September 30, 2017, by \$164,012,448. Of this amount, unrestricted net position of \$79,462,103 may be used to meet the Village's ongoing obligations to citizens and creditors.
- The total net position of the Village decreased by \$1,835,763. Of this amount, a decrease of \$1,862,729 was associated with governmental activities and a \$26,966 increase was associated with the business-type activities.
- As of the close of the current fiscal year, the Village of Royal Palm Beach's governmental funds reported combined ending fund balances of \$86,708,564, a decrease of \$1,212,178 in comparison with that of the prior year. Of this amount, \$73,977,435 is unassigned, while \$3,352,350 has been assigned for subsequent year's expenditures, \$6,077,940 has been committed for capital projects, \$982,945 has been committed for recreation facilities, \$172,684 has been committed for community beautification, \$119,211 has been restricted for law enforcement and police education, \$1,858,790 has been restricted for capital projects, and \$167,209 of prepaid items have been classified as non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$73,977,435, or 299% of total General Fund expenditures and other financing uses.

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

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

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

The statement of net position presents information on all of the Village's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is the result of assets plus deferred outflows of resources minus liabilities and deferred inflows of resources. Over time,

increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

*Governmental Funds.* The fund financial statements provide detailed information about the most significant funds – not the Village as a whole. Accordingly, three (3) major funds are reported individually in the governmental funds balance sheet and statement of revenue, expenditures and changes in fund balances. The remaining governmental funds are reported as a combined total. Major governmental funds for the year ended September 30, 2017, were:

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

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

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is like that used for proprietary funds. The Village's Fiduciary Funds at September 30, 2017, were the General Employees Pension Trust Fund and the Police Pension Trust Fund.

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

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



governmental funds and fiduciary funds. This information is presented immediately after the basic financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At September 30, 2017, the Village's assets exceeded liabilities by \$164,012,448. A large portion of the Village's net position (50 percent) reflects its investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending.

The following analysis summarizes the net position as of September 30, 2017 and 2016:

|   | Governmental<br>Activities |                      | Business-type<br>Activities |                   | Total                |                      |
|---|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
|   | 2017                       | 2016                 | 2017                        | 2016              | 2017                 | 2016                 |
| <b>Assets</b>                             |                            |                      |                             |                   |                      |                      |
| Current and<br>other assets               | \$ 89,970,930              | \$ 90,914,282        | \$ 911,272                  | \$ 873,065        | \$ 90,882,202        | \$ 91,787,347        |
| Capital assets, net                       | <u>82,460,016</u>          | <u>82,344,700</u>    | <u>112,328</u>              | <u>112,328</u>    | <u>82,572,344</u>    | <u>82,457,028</u>    |
| Total assets                              | 172,430,946                | 173,258,982          | 1,023,600                   | 985,393           | 173,454,546          | 174,244,375          |
| <b>Deferred outflows<br/>of resources</b> | 3,462,908                  | 3,900,505            | 186,099                     | 207,884           | 3,649,007            | 4,108,389            |
| <b>Liabilities</b>                        |                            |                      |                             |                   |                      |                      |
| Other liabilities                         | 3,262,366                  | 2,993,540            | 65                          | 517,739           | 3,262,431            | 3,511,279            |
| Noncurrent<br>liabilities                 | <u>8,538,069</u>           | <u>7,552,500</u>     | <u>917,995</u>              | <u>375,990</u>    | <u>9,456,064</u>     | <u>7,928,490</u>     |
| Total liabilities                         | 11,800,435                 | 10,546,040           | 918,060                     | 893,729           | 12,718,495           | 11,439,769           |
| <b>Deferred inflows<br/>of resources</b>  | 353,607                    | 1,010,906            | 19,003                      | 53,878            | 372,610              | 1,064,784            |
| <b>Net position</b>                       |                            |                      |                             |                   |                      |                      |
| Investment in<br>capital assets           | 82,460,016                 | 82,344,700           | 112,328                     | 112,328           | 82,572,344           | 82,457,028           |
| Restricted                                | 1,978,001                  | 123,721              | -                           | -                 | 1,978,001            | 123,721              |
| Unrestricted                              | <u>79,301,975</u>          | <u>83,134,120</u>    | <u>160,308</u>              | <u>133,342</u>    | <u>79,462,103</u>    | <u>83,267,462</u>    |
| Total net position                        | <u>\$163,739,812</u>       | <u>\$165,602,541</u> | <u>\$ 272,636</u>           | <u>\$ 245,670</u> | <u>\$164,012,448</u> | <u>\$165,848,211</u> |

An additional portion of net position (\$1,978,001 or 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$79,462,103 or 49%) may be used to meet the Village's ongoing obligations to citizens and creditors.

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

The following analysis summarizes the changes in net position for the years ended September 30, 2017 and 2016:

|   | Governmental<br>Activities |                      | Business-type<br>Activities |                     | Total                |                      |
|---|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
|   | 2017                       | 2016                 | 2017                        | 2016                | 2017                 | 2016                 |
| <b>Revenue</b>  |                            |                      |                             |                     |                      |                      |
| Program revenue:  |                            |                      |                             |                     |                      |                      |
| Charges for services  | \$ 2,997,060               | \$ 3,313,966         | \$ 798,110                  | \$ 794,059          | \$ 3,795,170         | \$ 4,108,025         |
| Operating grants and contributions                          | 528,930                    | 486,387              | -                           | -                   | 528,930              | 486,387              |
| Capital grants and contributions                            | 2,465,064                  | 1,398,431            | -                           | -                   | 2,465,064            | 1,398,431            |
| General revenue:  |                            |                      |                             |                     |                      |                      |
| Taxes   | 12,670,779                 | 12,297,091           | -                           | -                   | 12,670,779           | 12,297,091           |
| State shared revenue  | 6,893,200                  | 4,883,138            | -                           | -                   | 6,893,200            | 4,883,138            |
| Investment earnings   | 572,871                    | 922,983              | -                           | -                   | 572,871              | 922,983              |
| Gain on sale of capital assets                              | <u>269,186</u>             | <u>137,499</u>       | <u>-</u>                    | <u>32,173,231</u>   | <u>269,186</u>       | <u>32,310,730</u>    |
| Total revenue   | <u>26,397,090</u>          | <u>23,439,495</u>    | <u>798,110</u>              | <u>32,967,290</u>   | <u>27,195,200</u>    | <u>56,406,785</u>    |
| <b>Expenses</b>   |                            |                      |                             |                     |                      |                      |
| General   |                            |                      |                             |                     |                      |                      |
| government  | 5,863,876                  | 5,436,143            | -                           | -                   | 5,863,876            | 5,436,143            |
| Public safety   | 9,317,725                  | 9,083,219            | -                           | -                   | 9,317,725            | 9,083,219            |
| Public works  | 6,667,053                  | 5,973,824            | -                           | -                   | 6,667,053            | 5,973,824            |
| Culture and recreation                                      | 6,411,165                  | 5,936,648            | -                           | -                   | 6,411,165            | 5,936,648            |
| Interest on long-term debt                                  | -                          | 468,418              | -                           | -                   | -                    | 468,418              |
| Water and wastewater  | -                          | -                    | -                           | 354,802             | -                    | 354,802              |
| Stormwater  | <u>-</u>                   | <u>-</u>             | <u>771,144</u>              | <u>808,863</u>      | <u>771,144</u>       | <u>808,863</u>       |
| Total expenses  | <u>28,259,819</u>          | <u>26,898,252</u>    | <u>771,144</u>              | <u>1,163,665</u>    | <u>29,030,963</u>    | <u>28,061,917</u>    |
| <b>Increase (Decrease) in Net Position Before Transfers</b> | (1,862,729)                | (3,458,757)          | 26,966                      | 31,803,625          | (1,835,763)          | 28,344,868           |
| Transfers   | <u>-</u>                   | <u>33,168,198</u>    | <u>-</u>                    | <u>(33,168,198)</u> | <u>-</u>             | <u>-</u>             |
| <b>Increase (Decrease) in Net Position</b>                  | (1,862,729)                | 29,709,441           | 26,966                      | (1,364,573)         | (1,835,763)          | 28,344,868           |
| Net position at beginning of year                           | <u>165,602,541</u>         | <u>135,893,100</u>   | <u>245,670</u>              | <u>1,610,243</u>    | <u>165,848,211</u>   | <u>137,503,343</u>   |
| Net position at end of Year                                 | <u>\$163,739,812</u>       | <u>\$165,602,541</u> | <u>\$ 272,636</u>           | <u>\$ 245,670</u>   | <u>\$164,012,448</u> | <u>\$165,848,211</u> |

The Village's net position decreased by \$1,835,763 during the fiscal year ended September 30, 2017. This decrease is explained as follows:

**Governmental activities:** Governmental activities decreased the Village's net position by \$1,862,729 representing a decrease of \$31,572,170 from the prior year increase of \$29,709,441. This decrease is primarily attributable to a transfer in from the Water and Wastewater Utility System Fund of approximately \$33.2 million, net of approximately \$3.5 million of expenses in excess of revenue during the prior year. This was a one-time transfer from the proceeds from the sale of a parcel of property in the utility fund.

**Business-type activities:** Business-type activities net position of the Village increased by \$26,966.

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

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

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

At September 30, 2017, the Village's governmental funds reported combined ending fund balances of \$86,708,564, a decrease of \$1,212,178 in comparison to that of the prior year. Of this amount, \$73,977,435 (85.3 percent) is unassigned fund balance, which is available for spending at the government's discretion. Of the total fund balance, \$3,352,350 has been assigned by the Village for subsequent years' expenditures. Funds have been committed for capital projects, recreation facilities and community beautification in the amounts of \$6,077,940, \$982,945, and \$172,684, respectively. Restricted funds for police education and law enforcement total \$119,211, while restricted funds for capital projects total \$1,858,790. The remaining fund balance of \$167,209 is nonspendable and consists of prepaid items.

The General Fund is the Village's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$73,977,435, while the total General Fund fund balance was \$77,616,205. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 299 percent of total General Fund expenditures and other financing uses, while total fund balance represents 313 percent of that same amount.

The fund balance of the Village's General Fund decreased by \$1,970,833 during the current fiscal year, primarily as a result of a \$2,500,000 transfer from the General Fund to the Capital Improvements Fund.

The Impact Fee Capital Projects Fund was established to account for the expenditure of impact fees on various capital improvement projects. The year end fund balance of \$1,513,195 is decrease of \$1,276,212 for 2017 and is a result of costs associated with the Saratoga Drainage Project, road resurfacing, and the Amphitheater at Commons Park. All of the year end fund balance of \$1,513,195 is committed by the Village Council for capital projects' expenditures.

The Capital Improvements Fund was established to account for the Village's General Capital Improvement Program. These monies are used to fund Village improvements and other projects and programs not accounted for in other capital improvement funds. The year end fund balance of \$4,564,745 is a decrease of \$800,663 in comparison to that of the prior year which was attributable to additional

capital expenditures for new and ongoing projects. All of the year end fund balance of \$4,564,745 is committed by the Village Council for capital projects' expenditures.

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

At September 30, 2017, the Village's enterprise funds reported a net position of \$276,636. Of this amount, the net position for the Water and Wastewater Utility System Fund, the Village's largest proprietary fund, was \$185,018 at September 30, 2017, which is the same as the prior year, as there was no activity in this fund during 2017. The remaining enterprise fund, the Village's Stormwater Utility Fund, accounts for revenues and expenses related to stormwater operations.

### **General Fund Budgetary Highlights**

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

- Executive expenditures were approximately \$125,000 under budget primarily due to over budgeting other professional services in the Village Manager's office.
- Finance and administrative expenditures were approximately \$192,000 under budget primarily due to over budgeting for health insurance, professional services, and maintenance contracts for information systems.
- Non-departmental services expenditures were approximately \$194,000 under budget which was caused by overestimating workers compensation and utility and insurance costs.
- Culture and Recreation department expenditures were approximately \$537,000 under budget as a result of unfilled positions and over-budgeted health and life insurance costs.

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities at September 30, 2017, amounts to \$82,572,344 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress. Governmental activities capital asset additions totaled approximately \$5,861,000. The majority of the increases were for park improvements. Additional information on the Village's capital assets can be found in Note C.

**Long-term debt.** At the end of the current fiscal year, the Village had no outstanding long-term debt.

### **Economic Factors**

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

While property taxes are important to the Village, they represent only 23% of budgeted General Fund revenues for 2017. However, when combined with other tax related revenues, such as utility service taxes, franchise fees, and business taxes, the percentage increases to 63%. Because of the decreased dependence upon property taxes, the Village's resources tend to keep pace with increased demand for services. Nevertheless, the Village monitors all of its resources and determines the need for program adjustment or fee increases accordingly.

### **Next Year's Budget**

The 2018 budget will be less of a challenge than in previous years. Property values have increased and are expected to continue that trend in future years. Major commercial construction is under way. Our stabilization fund monies will not be needed to maintain the tax rate at its current level, if property values continue to rise.

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

### **Requests for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**

VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF NET POSITION

September 30, 2017

|  | Governmental<br>Activities | Business-Type<br>Activities | Total          |
|--|----------------------------|-----------------------------|----------------|
| <b>ASSETS</b>  |                            |                             |                |
| Equity in pooled cash and investments                                | \$ 7,483,092               | \$ 764,919                  | \$ 8,248,011   |
| Investments  | 80,426,566                 | -                           | 80,426,566     |
| Accrued interest receivable  | 200,352                    | -                           | 200,352        |
| Accounts receivable  | 699,600                    | -                           | 699,600        |
| Due from other governments   | 994,111                    | 146,353                     | 1,140,464      |
| Prepaid expenses   | 167,209                    | -                           | 167,209        |
| Capital assets   |                            |                             |                |
| Capital assets not being depreciated                                 | 15,758,995                 | 112,328                     | 15,871,323     |
| Capital assets being depreciated, net of<br>accumulated depreciation | 66,701,021                 | -                           | 66,701,021     |
| Total Assets   | 172,430,946                | 1,023,600                   | 173,454,546    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                |                            |                             |                |
| Deferred amount related to pensions                                  | 3,462,908                  | 186,099                     | 3,649,007      |
| <b>LIABILITIES</b>   |                            |                             |                |
| Accounts payable   | 578,337                    | 65                          | 578,402        |
| Accrued payroll and related liabilities                              | 306,123                    | -                           | 306,123        |
| Other liabilities  | 44,644                     | -                           | 44,644         |
| Contracts and retainage payable                                      | 1,233,177                  | -                           | 1,233,177      |
| Unearned revenue   | 1,100,085                  | -                           | 1,100,085      |
| Noncurrent liabilities   |                            |                             |                |
| Due within one year  | 27,004                     | -                           | 27,004         |
| Due in more than one year  | 513,070                    | 500,000                     | 1,013,070      |
| Net pension liability  | 7,777,995                  | 417,995                     | 8,195,990      |
| Other postemployment benefits  | 220,000                    | -                           | 220,000        |
| Total Liabilities  | 11,800,435                 | 918,060                     | 12,718,495     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                 |                            |                             |                |
| Deferred amount related to pensions                                  | 353,607                    | 19,003                      | 372,610        |
| <b>NET POSITION</b>  |                            |                             |                |
| Investment in capital assets   | 82,460,016                 | 112,328                     | 82,572,344     |
| Restricted for public safety   | 119,211                    | -                           | 119,211        |
| Restricted for capital projects                                      | 1,858,790                  | -                           | 1,858,790      |
| Unrestricted   | 79,301,795                 | 160,308                     | 79,462,103     |
| Total Net Position   | \$ 163,739,812             | \$ 272,636                  | \$ 164,012,448 |

See notes to financial statements.



VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

| Functions/Programs              | Expenses      | Program Revenue      |                                    |                                  |
|---------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
|                                 |               | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental activities</b>  |               |                      |                                    |                                  |
| General government              | \$ 5,863,876  | \$ 744,490           | \$ 42,633                          | \$ 344,148                       |
| Public safety                   | 9,317,725     | 1,424,655            | 306,793                            | 181,838                          |
| Public works                    | 6,667,053     | 5,995                | 179,504                            | 997,245                          |
| Culture and recreation          | 6,411,165     | 821,920              | -                                  | 941,833                          |
| Total Governmental Activities   | 28,259,819    | 2,997,060            | 528,930                            | 2,465,064                        |
| <b>Business-type activities</b> |               |                      |                                    |                                  |
| Stormwater                      | 771,144       | 798,110              | -                                  | -                                |
| Total Business-type Activities  | 771,144       | 798,110              | -                                  | -                                |
| Total                           | \$ 29,030,963 | \$ 3,795,170         | \$ 528,930                         | \$ 2,465,064                     |

**General revenue**

Taxes

Property taxes

Franchise fees

Utility service taxes

Business taxes

State shared revenue, unrestricted

Investment earnings

Gain on sale of capital assets

Total General Revenue

Change in Net Position

**Net position at October 1, 2016**

**Net position at September 30, 2017**

Net (Expense) Revenue and Changes in Net Position

| <u>Governmental<br/>Activities</u> | <u>Business -<br/>Type<br/>Activities</u> | <u>Total</u>          |
|------------------------------------|---|-----------------------|
| \$ (4,732,605)                     | \$ -                                      | \$ (4,732,605)        |
| (7,404,439)                        | -   | (7,404,439)           |
| (5,484,309)                        | -   | (5,484,309)           |
| <u>(4,647,412)</u>                 | <u>-</u>                                  | <u>(4,647,412)</u>    |
| (22,268,765)                       | -   | (22,268,765)          |
| -                                  | 26,966                                    | 26,966                |
| <u>-</u>                           | <u>26,966</u>                             | <u>26,966</u>         |
| (22,268,765)                       | 26,966                                    | (22,241,799)          |
| 4,658,932                          | -   | 4,658,932             |
| 2,760,818                          | -   | 2,760,818             |
| 4,557,505                          | -   | 4,557,505             |
| 693,524                            | -   | 693,524               |
| 6,893,200                          | -   | 6,893,200             |
| 572,871                            | -   | 572,871               |
| 269,186                            | -   | 269,186               |
| <u>20,406,036</u>                  | <u>-</u>                                  | <u>20,406,036</u>     |
| (1,862,729)                        | 26,966                                    | (1,835,763)           |
| <u>165,602,541</u>                 | <u>245,670</u>                            | <u>165,848,211</u>    |
| <u>\$ 163,739,812</u>              | <u>\$ 272,636</u>                         | <u>\$ 164,012,448</u> |

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2017

|   | Major Governmental Funds |                     |                     | Other               | Total                |
|---|--------------------------|---------------------|---------------------|---------------------|----------------------|
|   | General                  | Impact Fee          | Capital             | Governmental        | Governmental         |
|   | Fund                     | Capital Projects    | Improvements        | Funds               | Funds                |
|   |                          | Fund                | Fund                |                     |                      |
| <b>ASSETS</b>   |                          |                     |                     |                     |                      |
| Equity in pooled cash and investments                                     | \$ 2,400,243             | \$ -                | \$ 2,491,762        | \$ 2,591,087        | \$ 7,483,092         |
| Investments   | 75,474,852               | 1,941,378           | 3,010,336           | -                   | 80,426,566           |
| Accrued interest receivable   | 194,816                  | -                   | 5,536               | -                   | 200,352              |
| Accounts receivable   | 699,600                  | -                   | -                   | -                   | 699,600              |
| Due from other governments  | 539,652                  | -                   | 31,127              | 423,332             | 994,111              |
| Due from other funds  | 14,064                   | -                   | -                   | -                   | 14,064               |
| Prepaid items   | 167,209                  | -                   | -                   | -                   | 167,209              |
| <b>TOTAL ASSETS</b>   | <b>\$ 79,490,436</b>     | <b>\$ 1,941,378</b> | <b>\$ 5,538,761</b> | <b>\$ 3,014,419</b> | <b>\$ 89,984,994</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>       |                          |                     |                     |                     |                      |
| <b>LIABILITIES</b>  |                          |                     |                     |                     |                      |
| Accounts payable  | \$ 423,379               | \$ -                | \$ 154,958          | \$ -                | \$ 578,337           |
| Accrued payroll and related liabilities                                   | 306,123                  | -                   | -                   | -                   | 306,123              |
| Other liabilities   | 44,644                   | -                   | -                   | -                   | 44,644               |
| Contracts and retainage payable   | -                        | 414,119             | 819,058             | -                   | 1,233,177            |
| Due to other funds  | -                        | 14,064              | -                   | -                   | 14,064               |
| <b>TOTAL LIABILITIES</b>  | <b>774,146</b>           | <b>428,183</b>      | <b>974,016</b>      | <b>-</b>            | <b>2,176,345</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                          |                     |                     |                     |                      |
| Unavailable revenue   | 1,100,085                | -                   | -                   | -                   | 1,100,085            |
| <b>FUND BALANCES</b>  |                          |                     |                     |                     |                      |
| Nonspendable:   |                          |                     |                     |                     |                      |
| Prepaid items   | 167,209                  | -                   | -                   | -                   | 167,209              |
| Restricted for:   |                          |                     |                     |                     |                      |
| Police education  | 88,414                   | -                   | -                   | -                   | 88,414               |
| Law enforcement   | 30,797                   | -                   | -                   | -                   | 30,797               |
| Capital projects  | -                        | -                   | -                   | 1,858,790           | 1,858,790            |
| Committed for:  |                          |                     |                     |                     |                      |
| Capital projects  | -                        | 1,513,195           | 4,564,745           | -                   | 6,077,940            |
| Recreation facilities   | -                        | -                   | -                   | 982,945             | 982,945              |
| Community beautification  | -                        | -                   | -                   | 172,684             | 172,684              |
| Assigned for:   |                          |                     |                     |                     |                      |
| Subsequent year's expenditures  | 3,352,350                | -                   | -                   | -                   | 3,352,350            |
| Unassigned  | 73,977,435               | -                   | -                   | -                   | 73,977,435           |
| <b>TOTAL FUND BALANCES</b>  | <b>77,616,205</b>        | <b>1,513,195</b>    | <b>4,564,745</b>    | <b>3,014,419</b>    | <b>86,708,564</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <b>\$ 79,490,436</b>     | <b>\$ 1,941,378</b> | <b>\$ 5,538,761</b> | <b>\$ 3,014,419</b> | <b>\$ 89,984,994</b> |

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

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

September 30, 2017

**Total Governmental Fund Balances** \$ 86,708,564

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

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds.

|                               |               |
|-------------------------------|---------------|
| Governmental capital assets   | 197,416,094   |
| Less accumulated depreciation | (114,956,078) |

Deferred outflows/inflows of resources related to pensions for defined  
benefit pension plans are reported in the statement of net position but  
are not reported in the governmental funds.

|  |           |
|--|-----------|
| Deferred outflows of resources related to pensions | 3,462,908 |
| Deferred inflows of resources related to pensions  | (353,607) |

Long-term liabilities are not due and payable in the current  
period and therefore are not reported in the governmental funds.

|                                       |             |
|---------------------------------------|-------------|
| Compensated absences                  | (540,074)   |
| Net pension liability                 | (7,777,995) |
| Other postemployment benefits payable | (220,000)   |

**Net Position of Governmental Activities** \$ 163,739,812

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

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

Year Ended September 30, 2017

|                                       | Major Governmental Funds |  |                                 | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------------|--------------------------|--|---------------------------------|--------------------------------|--------------------------------|
|                                       | General<br>Fund          | Impact Fee<br>Capital Projects<br>Fund | Capital<br>Improvements<br>Fund |                                |                                |
| <b>REVENUE</b>                        |                          |  |                                 |                                |                                |
| Ad valorem taxes                      | \$ 4,658,932             | \$ -                                   | \$ -                            | \$ -                           | \$ 4,658,932                   |
| Franchise fees                        | 2,760,818                | -                                      | -                               | -                              | 2,760,818                      |
| Utility service taxes                 | 4,557,505                | -                                      | -                               | -                              | 4,557,505                      |
| Business taxes                        | 693,524                  | -                                      | -                               | -                              | 693,524                        |
| Licenses and permits                  | 854,834                  | -                                      | -                               | -                              | 854,834                        |
| Intergovernmental revenue             | 5,555,415                | 277,383                                | 800,000                         | 1,858,790                      | 8,491,588                      |
| Charges for services                  | 603,248                  | -                                      | -                               | -                              | 603,248                        |
| Fines and forfeitures                 | 485,613                  | -                                      | -                               | -                              | 485,613                        |
| Miscellaneous                         |                          |  |                                 |                                |                                |
| Investment earnings                   | 551,775                  | 5,224                                  | 15,872                          | -                              | 572,871                        |
| Impact fees                           | -                        | 400,684                                | -                               | -                              | 400,684                        |
| Conditions of approval                | -                        | -                                      | 10,000                          | 976,997                        | 986,997                        |
| Other                                 | 1,061,290                | -                                      | -                               | -                              | 1,061,290                      |
| Total Revenue                         | 21,782,954               | 683,291                                | 825,872                         | 2,835,787                      | 26,127,904                     |
| <b>EXPENDITURES</b>                   |                          |  |                                 |                                |                                |
| Current                               |                          |  |                                 |                                |                                |
| General government                    | 5,457,317                | -                                      | 91,669                          | -                              | 5,548,986                      |
| Public safety                         | 9,104,060                | -                                      | -                               | -                              | 9,104,060                      |
| Public works                          | 3,311,713                | -                                      | 139,659                         | -                              | 3,451,372                      |
| Culture and recreation                | 4,378,202                | -                                      | 11,981                          | 257                            | 4,390,440                      |
| Capital outlay                        | 18,063                   | 2,164,503                              | 3,678,226                       | -                              | 5,860,792                      |
| Total Expenditures                    | 22,269,355               | 2,164,503                              | 3,921,535                       | 257                            | 28,355,650                     |
| REVENUE OVER (UNDER) EXPENDITURES     | (486,401)                | (1,481,212)                            | (3,095,663)                     | 2,835,530                      | (2,227,746)                    |
| <b>OTHER FINANCING SOURCES (USES)</b> |                          |  |                                 |                                |                                |
| Insurance recoveries                  | 35,024                   | -                                      | -                               | -                              | 35,024                         |
| Proceeds from sale of capital assets  | 980,544                  | -                                      | -                               | -                              | 980,544                        |
| Transfers in                          | -                        | 205,000                                | 2,500,000                       | -                              | 2,705,000                      |
| Transfers out                         | (2,500,000)              | -                                      | (205,000)                       | -                              | (2,705,000)                    |
| Total Other Financing Sources (Uses)  | (1,484,432)              | 205,000                                | 2,295,000                       | -                              | 1,015,568                      |
| Net Change in Fund Balances           | (1,970,833)              | (1,276,212)                            | (800,663)                       | 2,835,530                      | (1,212,178)                    |
| FUND BALANCES at October 1, 2016      | 79,587,038               | 2,789,407                              | 5,365,408                       | 178,889                        | 87,920,742                     |
| FUND BALANCES at September 30, 2017   | \$ 77,616,205            | \$ 1,513,195                           | \$ 4,564,745                    | \$ 3,014,419                   | \$ 86,708,564                  |

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

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

Year Ended September 30, 2017

**Net change in fund balances - total governmental funds** \$ (1,212,178)

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

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

|                                 |             |
|---------------------------------|-------------|
| Expenditures for capital assets | 5,860,792   |
| Less current year depreciation  | (5,034,118) |

In the statement of activities, only the gain or loss on the sale of capital assets is reported,  
whereas in the governmental funds the proceeds from the sale increases financial  
resources. The change in net assets differs from the change in fund balance by the  
net book value of the assets retired. (711,358)

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

|                               |           |
|-------------------------------|-----------|
| Compensated absences          | (35,156)  |
| Other postemployment benefits | (27,000)  |
| Pension expense               | (703,711) |

**Change in net position of governmental activities** \$ (1,862,729)

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

September 30, 2017

|                                       | Major Funds                                       |                               |                              |
|---------------------------------------|---|-------------------------------|------------------------------|
|                                       | Water and<br>Wastewater<br>Utility System<br>Fund | Stormwater<br>Utility<br>Fund | Total<br>Enterprise<br>Funds |
| <b>ASSETS</b>                         |   |                               |                              |
| Current Assets                        |   |                               |                              |
| Equity in pooled cash and investments | \$ 572,690  | \$ 192,229                    | \$ 764,919                   |
| Due from other governments            | -   | 146,353                       | 146,353                      |
| Total Current Assets                  | 572,690   | 338,582                       | 911,272                      |
| Noncurrent Assets                     |   |                               |                              |
| Capital assets - land                 | 112,328   | -                             | 112,328                      |
| Total Assets                          | 685,018   | 338,582                       | 1,023,600                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |   |                               |                              |
| Deferred amount related to pensions   | -   | 186,099                       | 186,099                      |
| <b>LIABILITIES</b>                    |   |                               |                              |
| Current Liabilities                   |   |                               |                              |
| Accounts payable                      | -   | 65                            | 65                           |
| Accrued decommissioning costs         | 500,000   | -                             | 500,000                      |
| Total Current Liabilities             | 500,000   | 65                            | 500,065                      |
| Noncurrent Liability                  |   |                               |                              |
| Net pension liability                 | -   | 417,995                       | 417,995                      |
| Total Liabilities                     | 500,000   | 418,060                       | 918,060                      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |   |                               |                              |
| Deferred amount related to pensions   | -   | 19,003                        | 19,003                       |
| <b>NET POSITION</b>                   |   |                               |                              |
| Investment in capital assets          | 112,328   | -                             | 112,328                      |
| Unrestricted                          | 72,690  | 87,618                        | 160,308                      |
| Total Net Position                    | \$ 185,018  | \$ 87,618                     | \$ 272,636                   |

See notes to financial statements.



VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF REVENUE, EXPENSES, AND CHANGES  
IN NET POSITION - ENTERPRISE FUNDS

Year Ended September 30, 2017

|                                    |                          | Major Funds                                       |                               |                              |
|------------------------------------|--------------------------|---|-------------------------------|------------------------------|
|                                    |                          | Water and<br>Wastewater<br>Utility System<br>Fund | Stormwater<br>Utility<br>Fund | Total<br>Enterprise<br>Funds |
| <b>Operating revenue</b>           |                          |   |                               |                              |
| Charges for services               |                          | \$ -  | \$ 798,110                    | \$ 798,110                   |
|                                    | Total Operating Revenue  | -   | 798,110                       | 798,110                      |
| <b>Operating expenses</b>          |                          |   |                               |                              |
| Personal services                  |                          | -   | 504,310                       | 504,310                      |
| General operating expenses         |                          | -   | 266,834                       | 266,834                      |
|                                    | Total Operating Expenses | -   | 771,144                       | 771,144                      |
|                                    | Operating Income         | -   | 26,966                        | 26,966                       |
| Net position at October 1, 2016    |                          | 185,018   | 60,652                        | 245,670                      |
| NET POSITION at September 30, 2017 |                          | \$ 185,018  | \$ 87,618                     | \$ 272,636                   |

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

Year Ended September 30, 2017

|  | Major Funds                                       |                               |                              |
|--|---|-------------------------------|------------------------------|
|  | Water and<br>Wastewater<br>Utility System<br>Fund | Stormwater<br>Utility<br>Fund | Total<br>Enterprise<br>Funds |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |                               |                              |
| Cash received from customers   | \$ -  | \$ 787,516                    | \$ 787,516                   |
| Cash paid to suppliers and contractors   | -   | (284,508)                     | (284,508)                    |
| Cash paid to employees   | -   | (475,395)                     | (475,395)                    |
| Net Cash Provided By<br>Operating Activities   | -   | 27,613                        | 27,613                       |
| <b>CASH AND CASH EQUIVALENTS</b><br>at October 1, 2016   | 572,690   | 164,616                       | 737,306                      |
| CASH AND CASH EQUIVALENTS<br>at September 30, 2017   | <u>\$ 572,690</u>                                 | <u>\$ 192,229</u>             | <u>\$ 764,919</u>            |
| <b>RECONCILIATION OF OPERATING INCOME<br/>TO NET CASH PROVIDED BY OPERATING<br/>ACTIVITIES</b> |   |                               |                              |
| Operating income   | \$ -  | \$ 26,966                     | \$ 26,966                    |
| Adjustments to reconcile operating income<br>to net cash provided by operating activities:     |   |                               |                              |
| Changes in assets and liabilities:   |   |                               |                              |
| Increase in due from other governments   | -   | (10,594)                      | (10,594)                     |
| Decrease in deferred outflows  | -   | 21,785                        | 21,785                       |
| Decrease in accounts payable   | -   | (17,674)                      | (17,674)                     |
| Decrease in deferred inflows   | -   | (34,875)                      | (34,875)                     |
| Increase in net pension liability  | -   | 42,005                        | 42,005                       |
| Net Cash Provided By<br>Operating Activities   | <u>\$ -</u>                                       | <u>\$ 27,613</u>              | <u>\$ 27,613</u>             |

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

September 30, 2017

|  | <u>Pension<br/>Trust</u>   |
|--|----------------------------|
| <b>ASSETS</b>                                |                            |
| Investments                                  |                            |
| Mutual funds                                 | \$ 1,990,551               |
| Florida Municipal Pension Trust Fund         | 325,462                    |
| Guaranteed interest account                  | <u>116,666</u>             |
|  | <u><u>\$ 2,432,679</u></u> |
| <br><b>NET POSITION</b>                      |                            |
| Net position restricted for pension benefits | <u><u>\$ 2,432,679</u></u> |

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

Year Ended September 30, 2017

|  |   | Pension<br>Trust                |
|--|---|---------------------------------|
|  |   | <u>                    </u>     |
| <b>ADDITIONS</b>   |   |                                 |
| Contributions  |   |                                 |
| Employer   |   | \$      18,206                  |
| Employee   |   | 9,103                           |
| State  |   | 306,793                         |
|  | Total Contributions   | <u>      334,102</u>            |
| Investment earnings  |   |                                 |
| Net appreciation in fair value of plan assets                      |   | 240,750                         |
| Interest and dividend income                                       |   | 23,256                          |
|  | Net Investment Earnings   | <u>      264,006</u>            |
|  | Total Additions   | 598,108                         |
| <b>DEDUCTIONS</b>  |   |                                 |
| Distributions to plan participants                                 |   | 35,090                          |
| Administrative expenses  |   | 3,707                           |
|  | Total Deductions  | <u>      38,797</u>             |
|  | Net Increase  | 559,311                         |
| Net position restricted for pension benefits<br>at October 1, 2016 |   | <u>     1,873,368</u>           |
|  | NET POSITION RESTRICTED FOR PENSION<br>BENEFITS AT SEPTEMBER 30, 2017 | <u><u>     \$ 2,432,679</u></u> |

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

assets, liabilities, deferred inflows/outflows, fund equity, revenue and expenditures or expenses, as appropriate.

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

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

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

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

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

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

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

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

*Local Discretionary Sales Surtax Fund* – This capital projects fund was established to account for the expenditure of the Village's share of the one cent sales surtax revenue for various public infrastructure projects.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Proprietary Fund Financial Statements** - Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows. The Village reports the following major enterprise funds:

*Water and Wastewater Utility System Fund* - This enterprise fund accounted for the operations of the Village's water, wastewater, and stormwater management services through April 27, 2006, when the majority of the assets were sold to Palm Beach County. During 2016, the majority of the capital assets were sold. The remaining capital assets are pending decommissioning (see Note C).

*Stormwater Utility Fund* - This enterprise fund was established to account for the construction, operation and maintenance and user charges related to the Village's Stormwater system.

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

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

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

Measurement Focus and Basis of Accounting: The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenue is recognized in the period in which it becomes both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers revenue to be available if it is collected within 6 months of the end of the current fiscal year, except for property taxes, for which the period is 60 days. Unearned/unavailable revenue consists primarily of occupational licenses and other fees collected in advance of the year to which they relate. Expenditures are generally recognized in the accounting period

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Property taxes, intergovernmental revenue, franchise fees, charges for services and investment income are all considered susceptible to accrual and have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Village. Insurance recoveries received in 2017 primarily relate to repair costs incurred as a result of various minor property damage incidents during the year.

Proprietary fund financial statements distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds is the stormwater user charges assessed to all residential properties within the Village limits. Operating expenses for the proprietary funds include the cost of maintenance and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Property Tax Reform: During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida and increasing the homestead exemption. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. For the fiscal year ended September 30, 2017, the maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage applied to the prior year (2015/2016) property tax revenue. The percentage is calculated based on the compound annual growth rate in the per capita property taxes levied for five preceding fiscal years. The State law allows local governments to adopt a higher tax rate based on the following approval of the governing body: 1) a two-thirds vote to adopt a rate equal to the prior year "rolled-back" tax rate; 2) a unanimous vote to adopt a rate equal to the prior year tax rate; or, 3) any tax rate approved by referendum. For the fiscal year ended September 30, 2017, the Village adopted a millage rate of 5.38 mills which is less than the maximum tax rate permitted. This tax rate resulted in a tax levy of \$4,819,295 for 2017. Future property tax growth is limited to the annual growth rate of per capita personal income plus the value of new construction. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. Since Palm Beach County provides fire rescue services to the Village, the Palm Beach County Fire Rescue MSTU (municipal services taxing unit) taxes Village property owners 3.46 mills. This millage rate is deducted from the Village's legal millage rate limit of 10 mills, thereby limiting the 2016/2017 Village millage rate to 6.54.

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



VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accounts Receivable: Accounts receivable represent amounts due from local businesses for franchise and utility taxes in the General Fund. No allowance for doubtful accounts was deemed necessary at September 30, 2017. General Fund receivables are not collateralized. The need for an allowance for doubtful accounts is analyzed monthly based on the aging of outstanding receivables and management's knowledge of the customer. Accounts receivable are written off on an individual basis in the year the Village deems them uncollectible.

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

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

|                        |             |
|------------------------|-------------|
| Buildings              | 30-50 years |
| Improvements           | 10-30 years |
| Infrastructure         | 30-60 years |
| Equipment and vehicles | 3-10 years  |

Unearned/Unavailable Revenue: Unearned revenue in the Governmental Activities and unavailable revenue in the Governmental Funds includes amounts received in advance by the Village for licenses and permits applicable to the following fiscal year.

Compensated Absences: Accumulated unpaid annual leave amounts and a portion of accumulated sick leave are accrued when earned. Benefits that were earned but not used during the current year were accrued at employees' pay rates in effect at September 30, 2017. The liability for compensated absences attributable to the Village's governmental funds is recorded in the government-wide financial statements. A liability is recorded in the governmental funds for compensated absences only if they have matured, for example, as a result of employee resignations and retirements, and the amount, if any, is reported with accrued payroll and related liabilities in the governmental funds' balance sheet. The General Fund is used to liquidate the liability recorded in the governmental funds.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources: In addition to assets and liabilities, the government-wide Statement of Net Position and the governmental funds Balance Sheet will sometimes report a separate section for deferred outflows or deferred inflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Village has one item that qualifies for reporting as a deferred outflow of resources on the government-wide Statement of Net Position which relates to its pension obligation.

The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Village's deferred inflows on the government-wide Statement of Net Position relate to its pension obligation. In addition, the Village has another item, unavailable revenue, which arises only under the modified accrual basis of accounting and is reported as a deferred inflow of resources on the governmental funds Balance Sheet. The unavailable revenue results from licenses and permit fees received by the Village in advance of the year to which they apply. These amounts are deferred and recognized as an inflow of resources in the year that the amounts become available.

Net Position/Fund Balances: The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as follows:

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

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

*Unrestricted* – This component of net position consists of net position that does not meet the definition of *Net Investment in Capital Assets* or *Restricted*.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes accounting and financial reporting requirements for all governmental

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

funds and establishes criteria for classifying fund balances. Accordingly, the governmental fund financial statements report fund equity classifications that comprise a hierarchy based primarily on the extent to which the Village is legally bound to honor the specific purposes for which amounts in fund balance may be spent. The fund balance classifications are summarized as follows:

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

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

**Committed** – Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by the Village Council through an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**Assigned** – Assigned fund balances include amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. The Village Council has by resolution authorized the Finance Director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance for the subsequent year's budget.

**Unassigned** – Unassigned fund balances include amounts that are not assigned to other funds and have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that may report a positive unassigned fund balance amount.

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

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

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Tax Rate Stabilization** – Beginning with the fiscal year ended September 30, 2012, the Village Council authorized management to use up to \$5.5 million of unassigned fund balances to limit increases in ad valorem tax rates. However, the Village has not used any of these monies.

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

On-behalf Payments: The Village receives on-behalf payments from the State of Florida to be used for Police pension benefits. Such payments are recorded as intergovernmental revenue and public safety expenses/expenditures in the GAAP basis government-wide and General Fund financial statements. On-behalf payments to the Village totaled \$306,793 for the fiscal year ended September 30, 2017.

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

Risk Management: The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance to cover all risks of loss to which it is exposed. Policy limits and deductibles are reviewed annually by management and established at amounts to provide reasonable protection from significant financial loss. There were no significant reductions in insurance coverage for 2017. The amounts of insurance settlements have not exceeded insurance coverage in any of the past three fiscal years.

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

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

Implementation of GASB Statements: The following GASB Statements were effective for the Village for the fiscal year ended September 30, 2017.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new standards of financial reporting for governments whose employees are provided with other postemployment benefits (OPEB) through defined benefit and defined contribution OPEB plans and requires enhanced note disclosures and schedules of required supplementary information for OPEB plans.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about the reporting government's own tax abatement agreements and agreements that are entered into by other governments that reduce the reporting government's tax revenues.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through certain cost-sharing multiple-employer defined benefit pension plans.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*, amends the blending requirements for financial statement presentation of component units of all state and local governments and requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The foregoing GASB Statements effective for the year ended September 30, 2017 had no impact on the Village.

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits (OPEB), as well as certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to employees of other entities. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2018.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Specifically, Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Statement No. 83 also requires disclosure of information about the government's AROs, including the methods and assumptions used for estimating liabilities and the estimated remaining useful life of the associated tangible capital assets. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2019.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefits arrangements that are fiduciary activities. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2020.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements including topics related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which only existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in-substance. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2018.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2021.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - CASH AND INVESTMENTS

The Village maintains a cash and investment pool that is available for use by all funds. At September 30, 2017, pooled cash and investments included petty cash of \$575 and deposits with financial institutions of \$8,247,436. Each fund type's portion of this pool is displayed on the financial statements as "Equity in pooled cash and investments". In addition, investments are held separately by the General Fund, Impact Fee Capital Projects Fund, Capital Improvements Fund, and the Pension Trust Funds.

Deposits: At year end, the carrying amount of the Village's deposits with financial institutions, excluding the Pension Trust Funds, was \$8,247,436 and the bank balance was \$8,554,236. All of the deposits with financial institutions were entirely covered by a combination of federal deposit insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions, which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured in accordance with the provisions of Statements of the Governmental Accounting Standards Board.

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

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - CASH AND INVESTMENTS (Continued)

The Village held the following investments at September 30, 2017:

|   | <u>Fair Value</u>    |
|---|----------------------|
| <b><i>Governmental Funds</i></b>            |                      |
| U.S. Treasury notes                         | \$ 18,609,850        |
| U.S. Government agency notes                | 20,979,560           |
| Corporate notes                             | 21,277,155           |
| Asset-backed bonds                          | 11,105,998           |
| Money market mutual fund                    | 4,653,255            |
| Supranational agency notes                  | <u>3,800,748</u>     |
|   | <u>\$ 80,426,566</u> |
| <b><i>Pension Trust Funds</i></b>           |                      |
| <u>General Employees Pension Trust Fund</u> |                      |
| Mutual Funds                                |                      |
| Equity funds                                | \$ 1,616,264         |
| Fixed income funds                          | 327,578              |
| Money market funds                          | 46,709               |
| Guaranteed interest account                 | <u>116,666</u>       |
|   | 2,107,217            |
| <u>Police Pension Trust Fund</u>            |                      |
| Florida Municipal Investment Trust Fund     | <u>325,462</u>       |
|   | <u>\$ 2,432,679</u>  |

The Police Pension Trust Fund invests in the Florida Municipal Investment Trust Fund (the "Trust Fund") which is a trust established for the purpose of funding individually designed employee pension plans and certain other postemployment benefit plans of participating Florida municipalities, public agencies and political subdivisions of the State of Florida. The Trust Fund has adopted GASB Statement No. 31 and the fair value of the Village's position in the Trust Fund is the same as the net asset value of the Trust Fund shares. The investment in the Trust Fund is not evidenced by securities that exist in physical or book entry form.

The guaranteed interest account is a group annuity contract with Prudential Insurance Company of America (Prudential). This account is valued at contract value based upon the participant contributions made to the fund, plus earnings at guaranteed crediting rates, less withdrawals and fees, which approximates fair value. Prudential is contractually obligated to repay the principal and a specified minimum interest rate that is guaranteed to the Plan and may not terminate the investment contract prior to scheduled maturity dates. The investment is backed by the strength of Prudential.

Fair Value of Investments: The Village follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes a framework for measuring the fair value of investments in a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The



VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - CASH AND INVESTMENTS (Continued)

hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Village has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs other than quoted prices that are observable for the assets.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the entity's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques would typically include discounted cash flow models and similar techniques, but may also include the use of market prices of assets that are not directly comparable to the subject asset.

The fair value measurement of an asset within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Village's perceived risk of that investment.

**Valuation Methodologies:** The following valuation methods and assumptions were used by the Village in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under GASB Statement No. 72:

*U.S. Treasury notes, U.S. Government agency notes, corporate notes, asset-backed bonds, and supranational agency notes:* Valued at the closing price reported on the active exchange on which the individual securities are actively traded. Securities that are not actively traded are valued using a matrix pricing technique based on the securities' relationship to quoted benchmark prices.

*Mutual Funds:* Valued at the net asset value reported on the active exchange on which the funds are traded.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - CASH AND INVESTMENTS (Continued)

*Investments measured at net asset value (NAV):* The Florida Municipal Investment Trust Fund is valued at the unadjusted NAV per share, in a manner consistent with the measurement principles for investment companies based on the fair value of the underlying fund investments, as determined by the fund manager. The Village has no unfunded commitments and funds may be redeemed at any time.

The methods and assumptions described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Village believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methods and assumptions used for the year ended September 30, 2017.

*Fair Value of Investments:* The financial assets measured at fair value on a recurring basis include the Village's investments in securities and equity and fixed income mutual funds. There were no liabilities measured at fair value on a recurring basis at September 30, 2017. The fair value of the Village's investments at September 30, 2017 is summarized as follows:

|   | <b>Fair Values at September 30, 2017</b> |                      |                |                      |
|---|--|----------------------|----------------|----------------------|
|   | <u>Level 1</u>                           | <u>Level 2</u>       | <u>Level 3</u> | <u>Total</u>         |
| <b>Governmental Funds</b>               |  |                      |                |                      |
| <i>Debt securities</i>                  |  |                      |                |                      |
| U.S. Treasury notes                     | \$ 18,609,850                            | \$ -                 | \$ -           | \$ 18,609,850        |
| U.S. Government agency notes            | -  | 20,979,560           | -              | 20,979,560           |
| Corporate notes                         | -  | 21,277,155           | -              | 21,277,155           |
| Asset backed bonds                      | -  | 11,105,998           | -              | 11,105,998           |
| Supranational agency notes              | -  | 3,800,748            | -              | 3,800,748            |
| Total Governmental Funds                | <u>18,609,850</u>                        | <u>57,163,461</u>    | <u>-</u>       | <u>75,773,311</u>    |
| <b>Pension Trust Funds</b>              |  |                      |                |                      |
| Equity mutual funds                     | 1,616,264                                | -                    | -              | 1,616,264            |
| Fixed income mutual funds               | <u>327,578</u>                           | <u>-</u>             | <u>-</u>       | <u>327,578</u>       |
| Total Pension Trust Funds               | <u>1,943,842</u>                         | <u>-</u>             | <u>-</u>       | <u>1,943,842</u>     |
| Total investments by level              | <u>\$ 20,553,692</u>                     | <u>\$ 57,163,461</u> | <u>\$ -</u>    | 77,717,153           |
| <b>Investments measured at NAV</b>      |  |                      |                |                      |
| Florida Municipal Investment Trust Fund |  |                      |                | <u>325,462</u>       |
| Total fair value                        |  |                      |                | <u>\$ 78,042,615</u> |

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - CASH AND INVESTMENTS (Continued)

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The Village's investment policy generally limits the maturities of its investments to a maximum of 10 years, with maturities of 3 years or less for interest bearing time deposits, commercial paper, corporate notes, and bankers' acceptances. Money market mutual funds have a weighted average maturity of ninety days or less, resulting in minimal interest rate risk. The table below summarizes the scheduled maturities of all other fixed income investments at September 30, 2017.

|                              | <u>Fair Value of Investment Maturities</u> |                              |                      |
|------------------------------|--|------------------------------|----------------------|
|                              | <u>Less Than<br/>One Year</u>              | <u>One to<br/>Five Years</u> | <u>Total</u>         |
| <b>Governmental Funds</b>    |  |                              |                      |
| U.S. Treasury notes          | \$ -                                       | \$ 18,609,850                | \$ 18,609,850        |
| U.S. Government agency notes | 124,831                                    | 20,854,729                   | 20,979,560           |
| Corporate notes              | 3,967,682                                  | 17,309,473                   | 21,277,155           |
| Asset-backed bonds           | -  | 11,105,998                   | 11,105,998           |
| Supranational agency notes   | -  | 3,800,748                    | 3,800,748            |
| Total                        | <u>\$ 4,092,513</u>                        | <u>\$ 71,680,798</u>         | <u>\$ 75,773,311</u> |

**Credit Risk:** Credit risk is the risk that a debt issuer will not fulfill its obligations. The Village's investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. The security rating by a Nationally Recognized Statistical Rating Organization (NRSRO) is also an indication of credit risk. Investments in commercial paper and bankers acceptances require a minimum rating of P-1 by Moody's and A-1 by Standard & Poor's at the time of purchase. Corporate notes require a minimum rating of A by Moody's and A by Standard & Poor's at the time of purchase. State and/or local government taxable debt and mortgage and asset-backed securities require a minimum rating of Aa by Moody's and AA by Standard & Poor's at the time of purchase. Mutual funds require a minimum rating of AAm by Moody's or AAm-G by Standard & Poor's. U.S. Treasury notes with a fair value of \$18,609,850 are not considered to have credit risk and do not require disclosure of credit quality. The governmental funds' investments and the fixed income and money market mutual funds included in the pension trust funds' investments had credit quality ratings at September 30, 2017, as listed below. All other funds were unrated.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - CASH AND INVESTMENTS (Continued)

|   | <u>NRSRO<br/>Rating</u> | <u>Effective<br/>Maturities</u> | <u>Fair<br/>Value</u> |
|---|-------------------------|---------------------------------|-----------------------|
| <u>Governmental Funds</u>                   |                         |                                 |                       |
| U.S. Government agency notes                | AA                      |                                 | \$ 20,979,560         |
| Corporate notes                             | AAA                     |                                 | 695,974               |
| Corporate notes                             | AA                      |                                 | 6,839,604             |
| Corporate notes                             | A                       |                                 | 13,008,013            |
| Corporate notes                             | BBB                     |                                 | 733,564               |
| Asset-backed bonds                          | AAA                     |                                 | 11,105,998            |
| Money market mutual fund                    | AAAm                    |                                 | 4,653,255             |
| Supranational agency notes                  | AAA                     |                                 | <u>3,800,748</u>      |
|   |                         |                                 | <u>\$ 61,816,716</u>  |
| <u>General Employees Pension Trust Fund</u> |                         |                                 |                       |
| JP Morgan Core Bond Fund                    | BBB                     | 7.21 years                      | \$ 131,511            |
| PIMCO Total Return Fund                     | Not rated               | 7.48 years                      | 177,774               |
| Prudential Government Income Fund           | AAA                     | 5.60 years                      | 346                   |
| Franklin U.S. Government Securities Fund    | AAA                     | 5.49 years                      | 17,947                |
| Money market mutual fund                    | AAAm                    |                                 | <u>46,710</u>         |
|   |                         |                                 | <u>\$ 374,288</u>     |

Custodial Credit Risk: Custodial credit risk is defined as the risk that the Village may not recover cash and investments held by another party in the event of a financial failure. The Village does not have any specific policy for custodial credit risk. At September 30, 2017, all investments were held in independent custodial safekeeping accounts, except money market mutual funds, equity and fixed income mutual funds, the Florida Municipal Investment Trust Fund, and the guaranteed interest account which are considered *unclassified* pursuant to GASB Statements, because they are not evidenced by securities that exist in physical or book-entry form.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. Generally, a maximum of 10% of available investment funds may be invested in any one issuer. Federal instrumentalities are limited to a maximum of 30% in any one issuer and asset-backed securities are limited to a maximum of 5% in any one issuer. Investments in U.S. Government securities, mutual funds and pools are excluded from the concentration of credit risk disclosure requirement. In addition, with the exception of Florida Prime and U.S. Government Securities, all other security types have varying limits as to how much of the investment portfolio may be invested in a given security type. At September 30, 2017, the following issuers represent more than 5% of the Village's total investments: Federal National Mortgage Association - 15.47% and Federal Home Loan Bank Global Notes - 6.76%.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. There was no exposure to foreign currency risk in the Village's investments at September 30, 2017.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE C - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2017, was as follows:

| <u><i>Governmental Activities</i></u>          | Balance at<br>Beginning of<br>Year | Increases           | Decreases             | Balance at<br>End of<br>Year |
|--|------------------------------------|---------------------|-----------------------|------------------------------|
| Capital assets not being depreciated           |                                    |                     |                       |                              |
| Land   | \$ 8,174,797                       | \$ -                | \$ -                  | \$ 8,174,797                 |
| Construction in progress                       | <u>6,230,055</u>                   | <u>5,314,523</u>    | <u>(3,960,380)</u>    | <u>7,584,198</u>             |
| Total capital assets<br>not being depreciated  | 14,404,852                         | 5,314,523           | (3,960,380)           | 15,758,995                   |
| Capital assets being depreciated               |                                    |                     |                       |                              |
| Buildings                                      | 26,958,330                         | -                   | (1,776,375)           | 25,181,955                   |
| Improvements other than buildings              | 30,433,014                         | 3,960,380           | -                     | 34,393,394                   |
| Infrastructure                                 | 116,896,211                        | 1,488               | -                     | 116,897,699                  |
| Equipment                                      | 2,911,989                          | 266,348             | (86,183)              | 3,092,154                    |
| Vehicles                                       | <u>1,888,021</u>                   | <u>278,433</u>      | <u>(74,557)</u>       | <u>2,091,897</u>             |
| Total capital assets being depreciated         | 179,087,565                        | 4,506,649           | (1,937,115)           | 181,657,099                  |
| Less accumulated depreciation for              |                                    |                     |                       |                              |
| Buildings                                      | (6,589,899)                        | (779,137)           | -                     | (7,369,036)                  |
| Improvements other than buildings              | (16,827,987)                       | (1,426,277)         | 1,065,017             | (17,189,247)                 |
| Infrastructure                                 | (84,164,069)                       | (2,463,187)         | -                     | (86,627,256)                 |
| Equipment                                      | (1,783,586)                        | (319,284)           | 86,183                | (2,016,687)                  |
| Vehicles                                       | <u>(1,782,176)</u>                 | <u>(46,233)</u>     | <u>74,557</u>         | <u>(1,753,852)</u>           |
| Total accumulated depreciation                 | <u>(111,147,717)</u>               | <u>(5,034,118)</u>  | <u>1,225,757</u>      | <u>(114,956,078)</u>         |
| Total capital assets<br>being depreciated, net | <u>67,939,848</u>                  | <u>(527,469)</u>    | <u>(711,358)</u>      | <u>66,701,021</u>            |
| Governmental activities<br>capital assets, net | <u>\$ 82,344,700</u>               | <u>\$ 4,787,054</u> | <u>\$ (4,671,738)</u> | <u>\$ 82,460,016</u>         |

Depreciation expense was charged to functions/programs as follows:

|   |                     |
|---|---------------------|
| <u><i>Governmental Activities</i></u>                   |                     |
| General government                                      | \$ 59,272           |
| Public safety   | 121,781             |
| Public works  | 3,036,068           |
| Culture and recreation                                  | <u>1,816,997</u>    |
| Total depreciation expense -<br>governmental activities | <u>\$ 5,034,118</u> |

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE C - CAPITAL ASSETS (Continued)

| <u><i>Business-type Activities</i></u>         | Balance at<br>Beginning of<br>Year | Increases | Decreases | Balance at<br>End of<br>Year |
|--|------------------------------------|-----------|-----------|------------------------------|
| Capital assets not being depreciated           |                                    |           |           |                              |
| Land   | \$ 112,328                         | \$ -      | \$ -      | \$ 112,328                   |
| Total capital assets<br>not being depreciated  | 112,328                            | -         | -         | 112,328                      |
| Capital assets being depreciated               |                                    |           |           |                              |
| Buildings                                      | 16,145                             | -         | -         | 16,145                       |
| Water plant                                    | 11,681,028                         | -         | -         | 11,681,028                   |
| Total capital assets being depreciated         | 11,697,173                         | -         | -         | 11,697,173                   |
| Less accumulated depreciation for              |                                    |           |           |                              |
| Buildings                                      | (16,145)                           | -         | -         | (16,145)                     |
| Water plant                                    | (11,681,028)                       | -         | -         | (11,681,028)                 |
| Total accumulated depreciation                 | (11,697,173)                       | -         | -         | (11,697,173)                 |
| Total capital assets<br>being depreciated, net | -                                  | -         | -         | -                            |
| Business-type activity<br>capital assets, net  | \$ 112,328                         | \$ -      | \$ -      | \$ 112,328                   |

In April 2006, the Village sold its Water and Wastewater Utility, except for land and the existing water and wastewater plants, to Palm Beach County. Under the terms of the agreement, the Village was required to lease the water and wastewater plants to the County for a period of up to 10 years and 2 years, respectively. At the point when the plants were no longer needed by the County, the Village was required to decommission the plants. The estimated cost to decommission the plants of \$1 million was accrued in the Utility Fund in conjunction with the sale of the utility. The wastewater plant was fully decommissioned as of September 30, 2011 and the land was sold to a developer in 2016 for approximately \$33,523,000, net of settlement and closing costs. On August 1, 2013, Palm Beach County provided notice to the Village that the County had vacated the leased portions of the water treatment site, thereby terminating the lease. At September 30, 2017, the Village has an accrued liability of approximately \$500,000 for the remaining cost of decommissioning the water plant.

NOTE D - LONG-TERM DEBT

Changes in governmental activities long-term debt for the year ended September 30, 2017, are summarized as follows:

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE D - LONG-TERM DEBT (Continued)

| <u><i>Governmental Activities</i></u> | <u>Balance at<br/>Beginning of<br/>Year</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at<br/>End of<br/>Year</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|---------------------------------------|---|------------------|--------------------|---------------------------------------|--|
| Compensated absences                  | \$ 504,918                                  | \$ 582,276       | \$ (547,120)       | \$ 540,074                            | \$ 27,004                                  |

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

Defeased Bonds: In conjunction with the sale of the Utility System on April 27, 2006, the Village defeased its Series 1998 Revenue Bonds. As of September 30, 2017, defeased Series 1998 revenue bonds are outstanding in the amount of \$6,525,000.

NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At September 30, 2017, the Impact Fee Capital Projects Fund had an interfund balance due to the General Fund in the amount of \$14,064. The outstanding balances between these funds result from the time lag between the date payments are made and the date reimbursement is made.

Interfund transfers for the year ended September 30, 2017 were as follows:

|                                  | <u>Transfers In</u> | <u>Transfers Out</u> |
|----------------------------------|---------------------|----------------------|
| <b>Governmental Funds</b>        |                     |                      |
| General Fund                     | \$ -                | \$ 2,500,000         |
| Capital Improvements Fund        | 2,500,000           | 205,000              |
| Impact Fee Capital Projects Fund | 205,000             | -                    |
| <b>Total</b>                     | <u>\$ 2,705,000</u> | <u>\$ 2,705,000</u>  |

Transfers were made from the General Fund to Capital Improvements Fund and from the Capital Improvements Fund to the Impact Fee Capital Projects Fund to provide funding for various capital improvement projects within the Village.

NOTE F - PENSION PLANS

The Village offers pension benefits through three pension plans as of September 30, 2017. Effective October 1, 2008, the Village closed its defined contribution pension plan to new employees and gave its existing plan members a one-time election to terminate their membership in the defined contribution plan and use their accumulated monies to become a member of the Florida Retirement System and the Retiree Health Insurance Trust Fund and purchase past service in those plans. All employees hired on or after October 1, 2008 must participate in the Florida Retirement System and the Retiree Health Insurance Trust Fund. In addition, the Village has the Police Pension Trust Fund that is also closed and has only retirees remaining in that plan. The details of each plan are as follows:

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - PENSION PLANS (Continued)

**State of Florida Retirement Plans**

All regular, full-time employees of the Village hired on or after October 1, 2008, as well as those employees that chose to transfer to the Florida Retirement System, are required to participate in the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy (HIS) Trust Fund administered by the Florida Department of Management Services, Division of Retirement. FRS and HIS are cost-sharing, multiple-employer defined benefit pension plans with approximately 1,000 participating employers. FRS and HIS were established and are administered in accordance with Chapter 121 and Section 112.363, Florida Statutes, respectively.

FRS includes a Deferred Retirement Option Program (DROP) available for eligible employees. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation is optional for municipalities, special districts, charter schools and metropolitan planning organizations.

HIS membership is optional and available to all retirees under a state-administered retirement system, provided the retiree provides proof of health insurance coverage, which can include Medicare. Participation is compulsory for municipalities, special districts, charter schools and metropolitan planning organizations that participate in FRS.

Benefits Provided: FRS provides retirement, survivor and disability benefits to plan members and beneficiaries. Pension benefits of FRS are established by Florida Statutes, Chapter 121, and may be amended by the Florida Legislature. Retirement benefits are computed on the basis of age and/or years of service, average final compensation and service credit. Members initially enrolled on or after July 1, 2008, through June 30, 2011, vest after six years of service. Members initially enrolled on or after July 1, 2011, vest after eight years of service. HIS provides retirees and beneficiaries a monthly benefit equal to the number of years of service completed at the time of retirement multiplied by \$5. The monthly benefit payment is established by Section 112.363, Florida Statutes and is at least \$30, but not more than \$150.

Contributions: FRS members are required to contribute 3.0% and no contribution is required for HIS members. Participating governments, including the Village, contribute to FRS at actuarially determined rates for various classes of employees, which are presently 7.92% of annual covered payroll for employees covered in the regular class, 22.71% for the senior management class, 42.47% for elected officials and 12.99% for employees covered in the FRS DROP program. Participating governments, including the Village, contribute to HIS based on a percentage of gross compensation for all active FRS members, which is presently 1.66%. The Village's contributions to FRS and HIS for the year ended September 30, 2017, were \$625,557 which was equal to 100% of the required contributions for the year.

Funding Policy: FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due based upon plan assumptions. HIS uses a pay-as-you-go



VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - PENSION PLANS (Continued)

funding policy based on monthly employer contributions at a flat percentage of gross compensation for all active FRS members. Employer and employee contribution rates are established by State law as a level percentage of payroll. Employer contribution rates are determined using the entry-age actuarial cost method. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. The FRS and HIS net pension liabilities have historically been and will continue to be liquidated primarily by the General Fund.

Publicly Available Financial Report: The State of Florida issues a publicly available financial report for FRS and HIS that includes financial statements and required supplementary information. The complete financial report is available on the Publications page of the Division of Retirement's website at [www.frs.myflorida.com](http://www.frs.myflorida.com) or by writing to the Research and Education Section at P.O. Box 9000, Tallahassee, Florida, 32315-9000 or by calling toll free 877-377-1737 or 850-488-5706.

Summary of Significant Accounting Policies: The financial statements of FRS and HIS are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Employee contributions are recognized in the period for which the contributions are assessed. Employer contributions are recognized in the period in which employee services are performed. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the terms of FRS and HIS. Other expenses are recognized when the corresponding liabilities are incurred. Investment income is recognized as revenue when earned. Investments are reported at fair value and are managed by external investment managers. The independent investment custodian for FRS and HIS determines the fair value of securities using various third party pricing sources. For private market investments, where no readily ascertainable market value exists, fair values are based on net asset value (capital account balance) provided by investment managers at the closest available reporting period and adjusted for subsequent contributions and distributions. The net appreciation (depreciation) in fair value of investments is recorded as an increase (decrease) to investment income based on the valuation of investments. Investment earnings are net of investment related expenses, such as management fees, portfolio evaluation and custodial services. For purposes of measuring the net pension liability, deferred inflows/outflows of resources related to pensions, and pension expense, information about the fiduciary net position of FRS and HIS and the additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by FRS and HIS.

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

At September 30, 2017, the Village reported a liability of \$6,064,977 and \$2,131,013 for its proportionate share of the net pension liability of FRS and HIS, respectively. The net pension liability of each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 for FRS and July 1, 2016 for HIS. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, as actuarially determined. At June 30, 2017, the Village's FRS proportionate share was 0.020504108 percent, which was an increase of 0.00059957 percent from its proportionate share measured as of June 30,

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - PENSION PLANS (Continued)

2016. The HIS proportionate share was 0.019930053 percent at June 30, 2017, which was an increase of 0.001013372 percent from its proportionate share measured as of June 30, 2016.

For the year ended September 30, 2017, the Village recognized pension expense of \$1,160,346 and \$197,837 for FRS and HIS, respectively. At September 30, 2017, the Village reported deferred outflows and inflows of resources related to FRS pensions from the following sources:

|  | Deferred<br>Outflows       | Deferred<br>Inflows      |
|--|----------------------------|--------------------------|
| Differences between expected and actual experience   | \$ 556,619                 | \$ 33,597                |
| Changes in assumptions   | 2,038,261                  | -                        |
| Net difference between projected and actual investment earnings on pension plan investments                  | -                          | 150,305                  |
| Changes in proportion and differences between Village contributions and proportionate share of contributions | 421,000                    | -                        |
| Village contributions subsequent to the measurement date   | <u>125,399</u>             | <u>-</u>                 |
| <b>Total</b>   | <b><u>\$ 3,141,279</u></b> | <b><u>\$ 183,902</u></b> |

At September 30, 2017, the Village reported net deferred outflows and inflows of resources related to HIS pensions from the following sources:

|  | Deferred<br>Outflows     | Deferred<br>Inflows      |
|--|--------------------------|--------------------------|
| Differences between expected and actual experience   | \$ -                     | \$ 4,437                 |
| Changes in assumptions   | 299,547                  | 184,271                  |
| Net difference between projected and actual investment earnings on pension plan investments                  | 1,182                    | -                        |
| Changes in proportion and differences between Village contributions and proportionate share of contributions | 183,158                  | -                        |
| Village contributions subsequent to the measurement date   | <u>23,841</u>            | <u>-</u>                 |
| <b>Total</b>   | <b><u>\$ 507,728</u></b> | <b><u>\$ 188,708</u></b> |

Deferred outflows of resources related to FRS and HIS pensions of \$149,240 resulting from Village contributions subsequent to the measurement date of June 30, 2017 will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - PENSION PLANS (Continued)

| Fiscal Year<br>Ending<br>September 30, | FRS<br>Amount | HIS<br>Amount |
|--|---------------|---------------|
| 2018                                   | \$ 464,880    | \$ 70,670     |
| 2019                                   | 986,621       | 70,447        |
| 2020                                   | 705,464       | 70,339        |
| 2021                                   | 119,496       | 61,682        |
| 2022                                   | 404,160       | 45,976        |
| Thereafter                             | 151,357       | (23,935)      |

Actuarial Assumptions: The total pension liability for FRS and HIS in the most recent actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|   | FRS   | HIS   |
|---|---|---|
| Valuation date  | July 1, 2017  | July 1, 2016  |
| Measurement date  | June 30, 2017   | June 30, 2017   |
| Actuarial cost method   | Entry Age Normal  | Entry Age Normal  |
| Amortization method   | Level percent of pay, closed                                  | Level percent of pay, closed                                  |
| Equivalent single amortization period                         | 15 years  | 15 years  |
| Asset valuation method  | 5 year smoothed   | Fair market value   |
| Discount rate   | 7.10%   | 3.58%   |
| Inflation   | 2.60%   | 2.60%   |
| Salary increases, including inflation                         | 3.25%   | 3.25%   |
| Long-term expected rate of return, net of investment expenses | 7.10%   | N/A   |
| Municipal bond rate   | N/A   | 3.58%   |
| Cost of living adjustments                                    | 3.00%   | N/A   |
| Mortality rates   | Mortality rates Generational RP-2000 with Projection Scale BB | Mortality rates Generational RP-2000 with Projection Scale BB |

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2013. As a result of the actuarial experience study, the expectation of life after disability was adjusted in the July 1, 2014 actuarial valuation to more closely reflect actual experience.

The long-term expected rate of return on FRS investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - PENSION PLANS (Continued)

the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class are as follows:

| <u>Asset Class</u>     | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------|---|
| Cash                   | 3.0%  |
| Fixed income           | 4.4   |
| Global equity          | 6.6   |
| Private equity         | 7.8   |
| Strategic investments  | 5.6   |
| Real estate (property) | 5.9   |

Discount Rate: The discount rate used to measure the total pension liability of FRS at June 30, 2017 was 7.10% for FRS and 3.58% for HIS. The FRS discount rate was based on the expected rate of return on FRS investments. The HIS discount rate was based on the municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the fiduciary net position of FRS was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on investments of FRS was applied to all periods of projected benefit payments to determine the projected total pension liability. Because the HIS uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension liability.

Sensitivity of the Village's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Village's proportionate share of the net pension liability of FRS and HIS at September 30, 2017, calculated using the current discount rate, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| <u>FRS</u>                           |  |                                      | <u>HIS</u>                           |  |                                      |
|--------------------------------------|--|--------------------------------------|--------------------------------------|--|--------------------------------------|
| <b>1.0%<br/>Decrease<br/>(6.10%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(7.10%)</b> | <b>1.0%<br/>Increase<br/>(8.10%)</b> | <b>1.0%<br/>Decrease<br/>(2.58%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(3.58%)</b> | <b>1.0%<br/>Increase<br/>(4.58%)</b> |
| \$ 10,977,243                        | \$ 6,064,978                                     | \$ 1,986,672                         | \$ 2,431,768                         | \$ 2,131,013                                     | \$ 1,880,501                         |

Pension Plan Fiduciary Net Position: Detailed information about the fiduciary net position of FRS and HIS are available in a separately issued financial report, which is available on the Publications page of the Division of Retirement's website at [www.frs.myflorida.com](http://www.frs.myflorida.com) or in writing to the Research and Education Section at P.O. Box 9000, Tallahassee, Florida, 32315-9000 or by calling toll free 877-377-1737 or 850-488-5706.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - PENSION PLANS (Continued)

**Payables to FRS**

There were no amounts payable to FRS by the Village at September 30, 2017.

**Defined Contribution Pension Plan**

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

In July 2008, the Village amended its defined contribution pension plan to close the plan to new employees as of October 1, 2008, and require new employees to participate in the Florida Retirement System. In addition, the amendment provided for a one-time election for existing plan members to terminate their membership in the existing plan and use their accumulated monies to become a member of the Florida Retirement System and purchase past service in that plan. The amendment also allowed certain plan members to rollover monies from other qualified plans to purchase additional past service. At September 30, 2017, there were three active plan members.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees were eligible to participate after completion of one year of continuous service and attainment of the age of 18. The Village makes monthly contributions to the plan equal to 5% of each participant's total earnings. In addition, participants may contribute up to 5% of their total earnings and the Village will match this contribution. Each participant's interest in their accrued benefits from employer contributions, investment earnings, and forfeitures is vested at 20% after two years of credited service and 20% for each additional year of service. Contributions made by the Village and plan members for the fiscal year ended September 30, 2017, amounted to \$18,206 and \$9,103, respectively. The Village's pension trust fund uses the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due. Plan investments are reported at fair value. The investments are valued based on the last reported sales price of mutual fund shares traded on a national exchange. The plan holds no securities issued by the Village.

**Defined Benefit Pension Plan**

Plan Description: On December 19, 2002, the Village established the Police Pension Trust Fund, a single-employer, defined benefit pension plan, for the benefit of the Village of Royal Palm Beach Police Officers. The Plan covered substantially all full time Police personnel through September 30, 2006. During 2006, the Village voted to contract with Palm Beach County for police services and all Village police officers joined Palm Beach County's Sheriff Department as of October 1, 2006. In addition, the Village amended the Plan to allow police officers the option to opt out of the current Plan and join the County's retirement plan or remain in the Village's Plan. All but six Plan members opted out of the Plan. In August 2008, the Village amended the Plan to provide for retirement after 16 years of service, a pension benefit of 2.5% per

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - PENSION PLANS (Continued)

year of credited service and the creation of a share plan to be funded exclusively with Chapter 185 premium tax receipts received from the State. In conjunction with this amendment, the remaining six plan members retired and the Plan purchased annuities for each of these members to satisfy all future pension obligations under the amended Plan.

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

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

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

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

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

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

A separate stand-alone financial report is not prepared for the General Employees Pension Trust Fund or the Police Pension Trust Fund and, accordingly, a statement of net position and statement of changes in net position for each Plan at September 30, 2017, and for the year then ended, are presented as follows:

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - PENSION PLANS (Continued)

**Statements of Net Position**

|  | General<br>Employees<br>Pension | Police<br>Pension |
|--|---------------------------------|-------------------|
| <b>Assets</b>                                |                                 |                   |
| Investments                                  | \$ 2,107,217                    | \$ 325,462        |
| <b>Net Position</b>                          |                                 |                   |
| Net position restricted for pension benefits | \$ 2,107,217                    | \$ 325,462        |

**Statements of Changes in Net Position**

|   | General<br>Employees<br>Pension | Police<br>Pension |
|---|---------------------------------|-------------------|
| <b>Additions</b>  |                                 |                   |
| Contributions   |                                 |                   |
| Employer  | \$ 18,206                       | \$ -              |
| Employee  | 9,103                           | -                 |
| State   | -                               | 306,793           |
| Total Contributions   | 27,309                          | 306,793           |
| Investment earnings   |                                 |                   |
| Net appreciation in<br>fair value of plan assets                              | 240,750                         | -                 |
| Interest and dividend income  | 23,256                          | -                 |
| Net Investment Earnings   | 264,006                         | -                 |
| Total Additions   | 291,315                         | 306,793           |
| <b>Deductions</b>   |                                 |                   |
| Distributions to plan participants  | 35,090                          | -                 |
| Administrative expenses   | 2,491                           | 1,216             |
| Total Deductions  | 37,581                          | 1,216             |
| Net Increase  | 253,734                         | 305,577           |
| Net position restricted for pension<br>benefits at October 1, 2016            | 1,853,483                       | 19,885            |
| <b>NET POSITION RESTRICTED FOR<br/>PENSION BENEFITS AT SEPTEMBER 30, 2017</b> | <b>\$ 2,107,217</b>             | <b>\$ 325,462</b> |

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G - OTHER POSTEMPLOYMENT BENEFITS

**Plan Description**

The Village administers a single-employer defined benefit health care plan (the "Plan") that provides health care benefits to eligible retired employees and their beneficiaries. The Village Council has the authority to establish and amend the premiums for and the benefit provisions of the Plan. The Plan is financed on a "pay-as-you-go" basis and is not administered as a formal qualifying trust. The Plan does not issue a publicly available financial report. The Village follows GASB Statement No. 45 ("Statement 45") for financial reporting and disclosure of other postemployment benefits ("OPEB") provided under the Plan.

**Funding Policy**

The Village is required by Florida Statute 112.0801 to allow retirees to buy healthcare coverage at the same *group insurance rates* that current employees are charged resulting in an *implicit* healthcare benefit. The State of Florida prohibits the Plan from separately rating retirees and active employees. The Plan therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. Plan members receiving benefits contribute 100% of the monthly premium ranging from a minimum of \$960 to a maximum of \$2,672.

**Annual OPEB Cost and Net OPEB Obligation**

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

The Village's annual OPEB cost and the net OPEB obligation for the year ended September 30, 2017, were based on an actuarial valuation as of September 30, 2016, and are summarized as follows:

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 66,000         |
| Interest on net OPEB obligation            | 8,000             |
| Adjustment to annual required contribution | <u>(23,000)</u>   |
| Annual OPEB cost                           | 51,000            |
| Contributions made                         | <u>(24,000)</u>   |
| Increase in net OPEB obligation            | 27,000            |
| Net OPEB obligation, beginning of year     | <u>193,000</u>    |
| Net OPEB obligation, end of year           | <u>\$ 220,000</u> |



VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Village's annual OPEB cost, employer contribution, the percentage of annual OPEB cost contributed, and the net OPEB obligation for 2017 and the prior two years are as follows:

| <u>Year Ended</u>  | <u>Annual OPEB Cost</u> | <u>Actual Employer Contribution</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------|-------------------------|-------------------------------------|-------------------------------|----------------------------|
| September 30, 2017 | \$ 51,000               | \$ 24,000                           | 47.1%                         | \$ 220,000                 |
| September 30, 2016 | 49,000                  | 24,000                              | 49.0%                         | 193,000                    |
| September 30, 2015 | 38,000                  | 19,000                              | 50.0%                         | 168,000                    |

**Funded Status and Funding Progress**

The Plan is financed on a pay-as-you-go basis and the Village has not contributed assets to the Plan since its inception. The net OPEB obligation has historically been and will continue to be liquidated by the General Fund. The latest actuarial valuation was done as of September 30, 2016, and the Village intends to obtain such valuations triennially in the future. The following schedule of funding progress is presented based upon available information and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits:

| <u>Date of Actuarial Valuation</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|------------------------------------|----------------------------------|--|----------------------------|---------------------|------------------------|--|
| 9-30-16                            | \$ -                             | \$ 338,000                               | \$ 338,000                 | 0.0%                | \$ 4,028,000           | 8.4%   |
| 9-30-14                            | -                                | 274,000                                  | 274,000                    | 0.0%                | 4,064,000              | 6.7%   |
| 9-30-11                            | -                                | 250,000                                  | 250,000                    | 0.0%                | 4,271,000              | 5.9%   |

**Actuarial Methods and Assumptions**

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

In the actuarial valuation for the Plan as of September 30, 2016, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.5% after eight years. Both rates included a 2.75% inflation assumption.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The actuarial value of assets will be determined using fair value. The UAAL will be amortized as a level dollar payment on an open basis. The remaining amortization period is 10 years.

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

Changes in Actuarial Assumptions: The following actuarial assumptions were changed in the September 30, 2016, valuation: (1) the healthcare inflation assumption increased for 2016, (2) the implied subsidy for employees and employee's spouses at age 62 increased, and (3) the annual increase in medical costs increased.

NOTE H - COMMITMENTS AND CONTINGENCIES

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

Construction Commitments: The Village has several uncompleted construction contracts for improvements to Village facilities. The capital improvement projects are being funded primarily from accumulated funds in the Impact Fee Capital Projects Fund and the Capital Improvements Fund. At September 30, 2017, the remaining commitments are summarized as follows:

|                                      | <u>Contract<br/>Amounts</u> | <u>Approved<br/>Payments</u> | <u>Retainage<br/>Payable</u> | <u>Remaining<br/>Commitments</u> |
|--------------------------------------|-----------------------------|------------------------------|------------------------------|----------------------------------|
| Governmental capital<br>improvements | \$ 9,677,171                | \$ 5,648,478                 | \$ 317,716                   | \$ 3,710,977                     |

The remaining commitments amount of \$3,710,977 was encumbered and included in committed fund balance in the Impact Fee Capital Projects Fund (\$2,081,309) and the Capital Improvements Fund (\$1,629,668) at September 30, 2017. Under the Village's budgetary basis of accounting, the encumbrances and related appropriation are established on a project basis in the capital projects funds and lapse at year end, but are reappropriated in the subsequent year until the project is completed.

Fire Protection and Emergency Medical Services Contract: In accordance with the terms of interlocal agreements with Palm Beach County, the Village sold two fire stations to the County. In the event the Village was to no longer utilize County Fire Rescue services, the Village would be required to repurchase these stations.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations by \$40,215 in the Public Works department for the year ended September 30, 2017.

NOTE J - SUBSEQUENT EVENT

In December 2017, the Village sold a parcel of property for \$2.2 million.

## **SUPPLEMENTARY FINANCIAL INFORMATION**

## **REQUIRED SUPPLEMENTARY INFORMATION**

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2017 with Comparative  
Actual for the Year Ended September 30, 2016

|                            | 2017               |                  |                  |   | 2016             |
|----------------------------|--------------------|------------------|------------------|---|------------------|
|                            | Original<br>Budget | Final<br>Budget  | Actual           | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) | Actual           |
| <b>Revenue</b>             |                    |                  |                  |   |                  |
| Ad valorem taxes           |                    |                  |                  |   |                  |
| Current                    | \$ 4,578,330       | \$ 4,578,330     | \$ 4,626,458     | \$ 48,128   | \$ 4,213,344     |
| Delinquent                 | 10,000             | 10,000           | 32,474           | 22,474  | 59,481           |
|                            | <u>4,588,330</u>   | <u>4,588,330</u> | <u>4,658,932</u> | <u>70,602</u>   | <u>4,272,825</u> |
| Franchise fees             |                    |                  |                  |   |                  |
| Electricity                | 2,062,061          | 2,062,061        | 2,076,502        | 14,441  | 2,027,444        |
| Water                      | 627,507            | 627,507          | 450,578          | (176,929)   | 579,051          |
| Gas                        | 15,000             | 15,000           | 32,801           | 17,801  | 27,784           |
| Solid waste                | 199,691            | 199,691          | 200,937          | 1,246   | 195,342          |
|                            | <u>2,904,259</u>   | <u>2,904,259</u> | <u>2,760,818</u> | <u>(143,441)</u>  | <u>2,829,621</u> |
| Utility service taxes      |                    |                  |                  |   |                  |
| Electricity                | 2,732,628          | 2,732,628        | 2,804,492        | 71,864  | 2,755,210        |
| Water                      | 511,455            | 511,455          | 541,950          | 30,495  | 487,357          |
| Gas                        | 101,600            | 101,600          | 132,664          | 31,064  | 122,119          |
| Telecommunications         | 1,104,053          | 1,104,053        | 1,078,399        | (25,654)  | 1,134,368        |
|                            | <u>4,449,736</u>   | <u>4,449,736</u> | <u>4,557,505</u> | <u>107,769</u>  | <u>4,499,054</u> |
| Business taxes             | 704,747            | 707,747          | 693,524          | (14,223)  | 695,591          |
| Licenses and permits       |                    |                  |                  |   |                  |
| Building permits           | 306,904            | 306,904          | 610,247          | 303,343   | 567,093          |
| Site plan fees             | 167,000            | 167,000          | 244,587          | 77,587  | 426,528          |
|                            | <u>473,904</u>     | <u>473,904</u>   | <u>854,834</u>   | <u>380,930</u>  | <u>993,621</u>   |
| Intergovernmental revenue  |                    |                  |                  |   |                  |
| Grants                     | -                  | -                | 179,504          | 179,504   | 137,650          |
| State revenue sharing      | 1,115,485          | 1,178,485        | 1,258,940        | 80,455  | 1,173,406        |
| Alcoholic beverage license | 14,500             | 14,500           | 14,321           | (179)   | 13,577           |
| Half-cent sales tax        | 3,006,737          | 3,006,737        | 2,899,961        | (106,776)   | 2,881,766        |
| Motor fuel tax rebate      | 4,136              | 4,136            | 5,000            | 864   | 4,741            |
| Local option gas tax       | 713,917            | 713,917          | 765,443          | 51,526  | 731,868          |
| Business tax               | 72,000             | 72,000           | 83,906           | 11,906  | 71,625           |
| Recycling program          | 14,000             | 14,000           | 34,708           | 20,708  | 19,980           |
| Public safety grants       | -                  | -                | 6,839            | 6,839   | 6,155            |
|                            | <u>4,940,775</u>   | <u>5,003,775</u> | <u>5,248,622</u> | <u>244,847</u>  | <u>5,040,768</u> |

(Continued)

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2017 with Comparative  
Actual for the Year Ended September 30, 2016

|  | 2017                 |                      |                      |   | 2016                 |
|--|----------------------|----------------------|----------------------|---|----------------------|
|  | Original<br>Budget   | Final<br>Budget      | Actual               | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) | Actual               |
| Charges for services                   |                      |                      |                      |   |                      |
| Zoning fees                            | \$ -                 | \$ -                 | \$ 11,100            | \$ 11,100   | \$ 9,100             |
| Sales of maps and<br>publications      | 2,042                | 2,042                | 3,555                | 1,513   | 3,299                |
| Certification, copying<br>and research | 50,100               | 50,100               | 87,866               | 37,766  | 93,967               |
| Lot mowing and clearing                | 4,600                | 4,600                | 5,995                | 1,395   | 5,200                |
| Program activity fees                  | 476,500              | 476,500              | 494,732              | 18,232  | 489,984              |
|  | <u>533,242</u>       | <u>533,242</u>       | <u>603,248</u>       | <u>70,006</u>   | <u>601,550</u>       |
| Fines and forfeitures                  |                      |                      |                      |   |                      |
| Court fines                            | 31,349               | 31,349               | 30,051               | (1,298)   | 29,253               |
| Police education fees                  | -                    | -                    | 2,994                | 2,994   | 2,771                |
| Other fines and forfeitures            | 248,000              | 248,000              | 452,568              | 204,568   | 504,800              |
|  | <u>279,349</u>       | <u>279,349</u>       | <u>485,613</u>       | <u>206,264</u>  | <u>536,824</u>       |
| Miscellaneous                          |                      |                      |                      |   |                      |
| Investment earnings                    | 67,500               | 67,500               | 551,775              | 484,275   | 922,784              |
| Rents and royalties                    | 801,293              | 801,293              | 835,597              | 34,304  | 947,876              |
| Sale of surplus materials              | 7,500                | 7,500                | 980,544              | 973,044   | 770,282              |
| Insurance proceeds                     | 10,000               | 10,000               | 35,024               | 25,024  | 32,657               |
| Contributions and<br>donations         | 75,000               | 75,000               | 42,633               | (32,367)  | 42,500               |
| Other miscellaneous<br>revenue         | 96,100               | 96,100               | 183,060              | 86,960  | 214,115              |
|  | <u>1,057,393</u>     | <u>1,057,393</u>     | <u>2,628,633</u>     | <u>1,571,240</u>  | <u>2,930,214</u>     |
| <b>Total Revenue</b>                   | <b>\$ 19,931,735</b> | <b>\$ 19,997,735</b> | <b>\$ 22,491,729</b> | <b>\$ 2,493,994</b>   | <b>\$ 22,400,068</b> |

(Continued)

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2017 with Comparative  
Actual for the Year Ended September 30, 2016

|                                 | 2017               |                  |                  | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) | 2016             |
|---------------------------------|--------------------|------------------|------------------|---|------------------|
|                                 | Original<br>Budget | Final<br>Budget  | Actual           |   | Actual           |
| <b>Expenditures</b>             |                    |                  |                  |   |                  |
| <b>General Government</b>       |                    |                  |                  |   |                  |
| Legislative - Council           |                    |                  |                  |   |                  |
| Personal services               | \$ 100,444         | \$ 100,444       | \$ 113,295       | \$ (12,851)   | \$ 106,013       |
| Operating expenditures          | 161,153            | 161,153          | 136,535          | 24,618  | 139,551          |
|                                 | <u>261,597</u>     | <u>261,597</u>   | <u>249,830</u>   | <u>11,767</u>   | <u>245,564</u>   |
| Executive                       |                    |                  |                  |   |                  |
| Personal services               | 1,221,330          | 1,221,330        | 1,244,989        | (23,659)  | 1,231,037        |
| Operating expenditures          | 441,833            | 441,833          | 292,975          | 148,858   | 217,644          |
|                                 | <u>1,663,163</u>   | <u>1,663,163</u> | <u>1,537,964</u> | <u>125,199</u>  | <u>1,448,681</u> |
| Finance and administrative      |                    |                  |                  |   |                  |
| Personal services               | 1,122,885          | 1,122,885        | 1,061,574        | 61,311  | 967,051          |
| Operating expenditures          | 509,976            | 509,976          | 379,002          | 130,974   | 375,295          |
|                                 | <u>1,632,861</u>   | <u>1,632,861</u> | <u>1,440,576</u> | <u>192,285</u>  | <u>1,342,346</u> |
| Legal                           |                    |                  |                  |   |                  |
| Operating expenditures          | 304,000            | 347,000          | 346,404          | 596   | 325,307          |
| Non-departmental                |                    |                  |                  |   |                  |
| Utility services                | 1,197,193          | 1,197,193        | 1,112,557        | 84,636  | 1,033,503        |
| Insurance                       | 699,150            | 699,150          | 616,352          | 82,798  | 610,548          |
| Other                           | 180,700            | 180,700          | 153,634          | 27,066  | 148,074          |
|                                 | <u>2,077,043</u>   | <u>2,077,043</u> | <u>1,882,543</u> | <u>194,500</u>  | <u>1,792,125</u> |
| <b>Total General Government</b> | 5,938,664          | 5,981,664        | 5,457,317        | 524,347   | 5,154,023        |

(Continued)



VILLAGE OF ROYAL PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2017 with Comparative  
Actual for the Year Ended September 30, 2016

|                            | 2017               |                 |              |   | 2016         |
|----------------------------|--------------------|-----------------|--------------|---|--------------|
|                            | Original<br>Budget | Final<br>Budget | Actual       | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) | Actual       |
| <b>Public Safety</b>       |                    |                 |              |   |              |
| Law enforcement            |                    |                 |              |   |              |
| Operating expenditures     | \$ 7,567,314       | \$ 7,587,314    | \$ 7,584,875 | \$ 2,439  | \$ 7,325,808 |
|                            | 7,567,314          | 7,587,314       | 7,584,875    | 2,439   | 7,325,808    |
| Community Development      |                    |                 |              |   |              |
| Personal services          | 1,163,550          | 1,163,550       | 1,107,644    | 55,906  | 1,091,201    |
| Operating expenditures     | 115,249            | 115,249         | 104,748      | 10,501  | 133,172      |
|                            | 1,278,799          | 1,278,799       | 1,212,392    | 66,407  | 1,224,373    |
| <b>Total Public Safety</b> | 8,846,113          | 8,866,113       | 8,797,267    | 68,846  | 8,550,181    |
| <b>Public Works</b>        |                    |                 |              |   |              |
| Engineering                |                    |                 |              |   |              |
| Personal services          | 739,347            | 739,347         | 711,536      | 27,811  | 655,431      |
| Operating expenditures     | 126,453            | 126,453         | 152,459      | (26,006)  | 89,039       |
|                            | 865,800            | 865,800         | 863,995      | 1,805   | 744,470      |
| Public Works               |                    |                 |              |   |              |
| Personal services          | 1,714,506          | 1,714,506       | 1,648,335    | 66,171  | 1,515,617    |
| Operating expenditures     | 680,993            | 680,993         | 799,383      | (118,390)   | 640,328      |
| Capital outlay             | 17,500             | 17,500          | 7,301        | 10,199  | -            |
|                            | 2,412,999          | 2,412,999       | 2,455,019    | (42,020)  | 2,155,945    |
| <b>Total Public Works</b>  | 3,278,799          | 3,278,799       | 3,319,014    | (40,215)  | 2,900,415    |

(Continued)

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2017 with Comparative  
Actual for the Year Ended September 30, 2016

|   | 2017                  |                       |                       |   | 2016                 |
|---|-----------------------|-----------------------|-----------------------|---|----------------------|
|   | Original<br>Budget    | Final<br>Budget       | Actual                | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) | Actual               |
| <b>Culture and Recreation</b>   |                       |                       |                       |   |                      |
| Personal services   | \$ 3,329,004          | \$ 3,329,004          | \$ 2,885,252          | \$ 443,752  | \$ 2,805,221         |
| Operating expenditures  | 1,576,779             | 1,576,779             | 1,492,950             | 83,829  | 1,444,800            |
| Capital outlay  | 20,600                | 20,600                | 10,762                | 9,838   | -                    |
| <b>Total Culture and Recreation</b>   | 4,926,383             | 4,926,383             | 4,388,964             | 537,419   | 4,250,021            |
| <b>Debt Service</b>   |                       |                       |                       |   |                      |
| Principal   | -                     | -                     | -                     | -   | 15,785,200           |
| Interest and fiscal charges   | -                     | -                     | -                     | -   | 365,561              |
| Bond prepayment fee   | -                     | -                     | -                     | -   | 323,061              |
| <b>Total Debt Service</b>   | -                     | -                     | -                     | -   | 16,473,822           |
| <b>Total Expenditures</b>   | 22,989,959            | 23,052,959            | 21,962,562            | 1,090,397   | 37,328,462           |
| <b>Other Financing Sources (Uses)</b>   |                       |                       |                       |   |                      |
| Transfers in  | -                     | -                     | -                     | -   | 28,023,000           |
| Transfers out   | -                     | (2,500,000)           | (2,500,000)           | -   | (1,264,802)          |
| <b>Total Other Financing Sources (Uses)</b>   | -                     | (2,500,000)           | (2,500,000)           | -   | 26,758,198           |
| <b>Revenue Over (Under)<br/>Expenditures and Other<br/>Financing Sources (Uses)</b> | <u>\$ (3,058,224)</u> | <u>\$ (5,555,224)</u> | <u>\$ (1,970,833)</u> | <u>\$ 3,584,391</u>   | <u>\$ 11,829,804</u> |

See notes to budgetary comparison schedule.

VILLAGE OF ROYAL PALM BEACH, FLORIDA  
NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2017

NOTE A - BUDGETARY ACCOUNTING

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

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

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

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

NOTE B - BUDGET AND ACTUAL COMPARISONS

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

|                                      | <u>Revenue</u>       | <u>Expenditures</u>  |
|--------------------------------------|----------------------|----------------------|
| <b>Budgetary Basis</b>               | \$ 22,491,729        | \$ 21,962,562        |
| State on-behalf pension payments     | 306,793              | 306,793              |
| Insurance recoveries                 | (35,024)             | -                    |
| Proceeds from sale of capital assets | <u>(980,544)</u>     | <u>-</u>             |
| <b>GAAP Basis</b>                    | <u>\$ 21,782,954</u> | <u>\$ 22,269,355</u> |

# **VILLAGE OF ROYAL PALM BEACH, FLORIDA**

*Required Supplementary Information*

*Schedule of the Village's Proportionate Share of the Net Pension Liability -*

*Florida Retirement System (FRS) Pension Plan*

*Last Four Fiscal Years*

|   | Measurement Date June 30, |              |              |              |
|---|---------------------------|--------------|--------------|--------------|
|   | 2017                      | 2016         | 2015         | 2014         |
| Village's proportion of the net pension liability   | 0.020504108%              | 0.019904538% | 0.019853481% | 0.018714460% |
| Village's proportionate share of the net pension liability  | \$ 6,064,977              | \$ 5,025,911 | \$ 2,564,343 | \$ 1,141,857 |
| Village covered employee payroll  | \$ 6,355,000              | \$ 5,841,000 | \$ 5,463,000 | \$ 5,268,000 |
| Village's proportionate share of the net pension liability<br>as a percentage of Village covered employee payroll | 95.44%                    | 86.05%       | 46.94%       | 21.68%       |
| Plan fiduciary net position as a percentage<br>of the total pension liability                                     | 83.90%                    | 84.90%       | 92.00%       | 96.10%       |

## **Notes to Schedule:**

|  |  |
|--|--|
| Actuarial valuation date   | 7/1/2017                               |
| Actuarial measurement date   | 6/30/2017                              |
| Actuarial methods and assumptions<br>used to determine contribution rates: |  |
| Discount rate - 2017   | 7.10%                                  |
| Discount rate - 2016   | 7.60%                                  |
| Discount rate - 2015, 2014   | 7.65%                                  |
| Actuarial cost method  | Entry Age Normal                       |
| Amortization method  | Level Percent of<br>Payroll, Closed    |
| Amortization period:   |  |
| Gains and losses   | 15 years                               |
| Assumption, method and plan changes  | 15 years                               |
| Asset valuation method   | Fair Market Value<br>5-year smoothed   |
| Inflation, per year  | 2.60%                                  |
| Salary increases (with inflation), per year                                | 3.25%                                  |
| Investment rate of return (net of expenses, with inflation), per year      | 7.10%                                  |
| Payroll growth   | 3.25%                                  |
| Cost of living adjustments   | 3.0% pre-July 2011;<br>0% thereafter   |
| Retirement age   | Varies by tier<br>and member class     |
| Mortality  | RP-2000<br>Mortality Table<br>Scale BB |

Information prior to adoption of GASB Statement No. 67 by the Florida Retirement System in fiscal year 2014 is not available.

# VILLAGE OF ROYAL PALM BEACH, FLORIDA

Required Supplementary Information

Schedule of the Village's Proportionate Share of the Net Pension Liability -

Florida Retiree Health Insurance Subsidy (HIS) Trust Fund

Last Four Fiscal Years

|   | Measurement Date June 30, |              |              |              |
|---|---------------------------|--------------|--------------|--------------|
|   | 2017                      | 2016         | 2015         | 2014         |
| Village's proportion of the net pension liability   | 0.019930053%              | 0.018916681% | 0.018008213% | 0.017729512% |
| Village's proportionate share of the net pension liability  | \$ 2,131,013              | \$ 2,204,661 | \$ 1,836,554 | \$ 1,657,753 |
| Village covered employee payroll  | \$ 6,355,000              | \$ 5,841,000 | \$ 5,463,000 | \$ 5,268,000 |
| Village's proportionate share of the net pension liability<br>as a percentage of Village covered employee payroll | 33.53%                    | 37.74%       | 33.62%       | 31.47%       |
| Plan fiduciary net position as a percentage<br>of the total pension liability                                     | 1.60%                     | 1.00%        | 0.50%        | 1.00%        |

## Notes to Schedule:

|  |  |
|--|--|
| Actuarial valuation date   | 7/1/2016                               |
| Actuarial measurement date   | 6/30/2017                              |
| Actuarial methods and assumptions<br>used to determine contribution rates: |  |
| Discount rate - 2017   | 3.58%                                  |
| Discount rate - 2016   | 2.85%                                  |
| Discount rate - 2015   | 3.80%                                  |
| Discount rate - 2014   | 4.29%                                  |
| Actuarial cost method  | Entry Age Normal                       |
| Amortization method  | Level Percent of<br>Payroll, Closed    |
| Amortization period:   |  |
| Gains and losses   | 15 years                               |
| Assumption, method and plan changes  | 15 years                               |
| Asset valuation method   | Fair Market Value                      |
| Inflation, per year  | 2.60%                                  |
| Salary increases (with inflation), per year                                | 3.25%                                  |
| Investment rate of return (net of expenses, with inflation), per year      | N/A                                    |
| Payroll growth   | N/A                                    |
| Cost of living adjustments   | N/A                                    |
| Retirement age   | N/A                                    |
| Mortality  | RP-2000<br>Mortality Table<br>Scale BB |

Information prior to adoption of GASB Statement No. 67 by the Florida Retirement System in fiscal year 2014 is not available.

**VILLAGE OF ROYAL PALM BEACH, FLORIDA***Required Supplementary Information**Schedule of Village Contributions - Florida Retirement System FRS and HIS Plans**Last Four Fiscal Years*

| <b>Florida Retirement System (FRS) Pension Plan</b>                          | <b>Fiscal Year</b> |              |              |              |
|--|--------------------|--------------|--------------|--------------|
|  | <b>2017</b>        | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  |
| Contractually required Village contribution                                  | \$ 522,127         | \$ 500,767   | \$ 480,540   | \$ 432,730   |
| Contributions in relation to the contractually required Village contribution | 522,127            | 500,767      | 480,540      | 432,730      |
| Contribution deficiency (excess)   | \$ -               | \$ -         | \$ -         | \$ -         |
| Village covered employee payroll   | \$ 6,231,000       | \$ 5,938,000 | \$ 5,518,000 | \$ 5,292,000 |
| Contributions as a percentage of Village covered employee payroll            | 8.38%              | 8.43%        | 8.71%        | 8.18%        |
| <b>Florida Retiree Health Insurance Subsidy (HIS) Trust Fund</b>             |                    |              |              |              |
| Contractually required Village contribution                                  | \$ 103,430         | \$ 98,587    | \$ 75,375    | \$ 63,275    |
| Contributions in relation to the contractually required Village contribution | 103,430            | 98,587       | 75,375       | 63,275       |
| Contribution deficiency (excess)   | \$ -               | \$ -         | \$ -         | \$ -         |
| Village covered employee payroll   | \$ 6,231,000       | \$ 5,938,000 | \$ 5,518,000 | \$ 5,292,000 |
| Contributions as a percentage of Village covered employee payroll            | 1.66%              | 1.66%        | 1.37%        | 1.20%        |

**Note to Schedule:**

Information prior to adoption of GASB Statement No. 67 by FRS in fiscal year 2014 is not available.

## **COMBINING FUND FINANCIAL STATEMENTS**

## **Nonmajor Governmental Funds**

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

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

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

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

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

**Local Discretionary Sales Surtax Fund** – To account for the expenditure of the Village's share of the one cent sales surtax revenue on various public infrastructure projects.



VILLAGE OF ROYAL PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2017

|  | Special Revenue Funds    |                               | Capital Projects Fund                 | Total Nonmajor Governmental Funds |
|--|--------------------------|-------------------------------|---------------------------------------|-----------------------------------|
|  | Recreation Facility Fund | Community Beautification Fund | Local Discretionary Sales Surtax Fund |                                   |
| <b>ASSETS</b>                          |                          |                               |                                       |                                   |
| Equity in pooled cash and investments  | \$ 982,945               | \$ 172,684                    | \$ 1,435,458                          | \$ 2,591,087                      |
| Due from other governments             | -                        | -                             | 423,332                               | 423,332                           |
| Total Assets                           | <u>\$ 982,945</u>        | <u>\$ 172,684</u>             | <u>\$ 1,858,790</u>                   | <u>\$ 3,014,419</u>               |
| <b>FUND BALANCES</b>                   |                          |                               |                                       |                                   |
| Restricted for capital projects        | \$ -                     | \$ -                          | \$ 1,858,790                          | \$ 1,858,790                      |
| Committed for recreation facilities    | 982,945                  | -                             | -                                     | 982,945                           |
| Committed for community beautification | -                        | 172,684                       | -                                     | 172,684                           |
| Total Fund Balances                    | <u>\$ 982,945</u>        | <u>\$ 172,684</u>             | <u>\$ 1,858,790</u>                   | <u>\$ 3,014,419</u>               |

VILLAGE OF ROYAL PALM BEACH, FLORIDA

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

Year Ended September 30, 2017

|                                     | Special Revenue Funds          |                                     | Capital Projects<br>Fund                       | Total<br>Nonmajor<br>Governmental<br>Funds |
|-------------------------------------|--------------------------------|-------------------------------------|--|--|
|                                     | Recreation<br>Facility<br>Fund | Community<br>Beautification<br>Fund | Local<br>Discretionary<br>Sales Surtax<br>Fund |  |
| <b>Revenue</b>                      |                                |                                     |  |  |
| Intergovernmental revenue           | \$ -                           | \$ -                                | \$ 1,858,790                                   | \$ 1,858,790                               |
| Miscellaneous                       |                                |                                     |  |  |
| Conditions of approval              | 877,825                        | 99,172                              | -  | 976,997                                    |
| Total Revenue                       | 877,825                        | 99,172                              | 1,858,790                                      | 2,835,787                                  |
| <b>Expenditures</b>                 |                                |                                     |  |  |
| Current                             |                                |                                     |  |  |
| Culture and recreation              | 257                            | -                                   | -  | 257  |
| Total Expenditures                  | 257                            | -                                   | -  | 257  |
| Net Change in Fund Balances         | 877,568                        | 99,172                              | 1,858,790                                      | 2,835,530                                  |
| Fund balances at October 1, 2016    | 105,377                        | 73,512                              | -  | 178,889                                    |
| Fund balances at September 30, 2017 | <u>\$ 982,945</u>              | <u>\$ 172,684</u>                   | <u>\$ 1,858,790</u>                            | <u>\$ 3,014,419</u>                        |

## ***FIDUCIARY FUNDS***

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

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

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

VILLAGE OF ROYAL PALM BEACH, FLORIDA

COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

September 30, 2017

|  | General<br>Employees<br>Pension<br>Trust Fund | Police<br>Pension<br>Trust Fund | Total               |
|--|---|---------------------------------|---------------------|
| <b>ASSETS</b>                                |   |                                 |                     |
| Mutual funds                                 | \$ 1,990,551                                  | \$ -                            | \$ 1,990,551        |
| Florida Municipal Pension Trust Fund         | -   | 325,462                         | 325,462             |
| Guaranteed interest account                  | 116,666                                       | -                               | 116,666             |
|  | <u>116,666</u>                                | <u>-</u>                        | <u>116,666</u>      |
| Total Assets                                 | <u>\$ 2,107,217</u>                           | <u>\$ 325,462</u>               | <u>\$ 2,432,679</u> |
| <b>NET POSITION</b>                          |   |                                 |                     |
| Net position restricted for pension benefits | <u>\$ 2,107,217</u>                           | <u>\$ 325,462</u>               | <u>\$ 2,432,679</u> |

VILLAGE OF ROYAL PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

Year Ended September 30, 2017

|   | General<br>Employees<br>Pension<br>Trust Fund | Police<br>Pension<br>Trust Fund | Total               |
|---|---|---------------------------------|---------------------|
| <b>ADDITIONS</b>  |   |                                 |                     |
| Contributions   |   |                                 |                     |
| Employer  | \$ 18,206                                     | \$ -                            | \$ 18,206           |
| Employee  | 9,103   | -                               | 9,103               |
| State   | -   | 306,793                         | 306,793             |
| Total Contributions   | <u>27,309</u>                                 | <u>306,793</u>                  | <u>334,102</u>      |
| Investment earnings   |   |                                 |                     |
| Net appreciation in<br>fair value of plan assets                      | 240,750                                       | -                               | 240,750             |
| Interest and dividend income  | <u>23,256</u>                                 | <u>-</u>                        | <u>23,256</u>       |
| Net Investment Earnings   | <u>264,006</u>                                | <u>-</u>                        | <u>264,006</u>      |
| Total Additions   | 291,315                                       | 306,793                         | 598,108             |
| <b>DEDUCTIONS</b>   |   |                                 |                     |
| Distributions to plan participants                                    | 35,090  | -                               | 35,090              |
| Administrative expenses   | <u>2,491</u>                                  | <u>1,216</u>                    | <u>3,707</u>        |
| Total Deductions  | <u>37,581</u>                                 | <u>1,216</u>                    | <u>38,797</u>       |
| Net Increase  | 253,734                                       | 305,577                         | 559,311             |
| Net position restricted for pension benefits<br>at October 1, 2016    | <u>1,853,483</u>                              | <u>19,885</u>                   | <u>1,873,368</u>    |
| NET POSITION RESTRICTED FOR PENSION<br>BENEFITS AT SEPTEMBER 30, 2017 | <u>\$ 2,107,217</u>                           | <u>\$ 325,462</u>               | <u>\$ 2,432,679</u> |

## **STATISTICAL SECTION**

# STATISTICAL SECTION

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

| Contents   | Page |
|--|------|
| Financial Trends .....   | 67   |
| <i>These schedules contain trend information to help the reader understand how the Village of Royal Palm Beach’s financial performance and well-being have changed over time.</i>  |      |
| Revenue Capacity .....   | 74   |
| <i>These schedules contain information to help the reader assess the Village of Royal Palm Beach’s most significant local revenue sources, the property tax and utility service tax.</i>   |      |
| Debt Capacity .....  | 79   |
| <i>These schedules present information to help the reader assess the affordability of the Village of Royal Palm Beach’s current levels of outstanding debt and the Village of Royal Palm Beach’s ability to issue additional debt in the future.</i>                         |      |
| Demographic and Economic Information.....  | 82   |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village of Royal Palm Beach’s financial activities take place and to help make comparisons over time and with other governments.</i>             |      |
| Operating Information.....   | 84   |
| <i>These schedules contain information about the Village’s operations and resources to help the reader understand how the information in the Village of Royal Palm Beach’s financial report relates to the services the Village provides and the activities it performs.</i> |      |

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

## Village of Royal Palm Beach, Florida

Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

|  | Fiscal Year           |                       |                       |                       |                       |                       |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 2008                  | 2009                  | 2010                  | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  | 2016                  | 2017                  |
| <b>Governmental activities</b>                     |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 73,759,549         | \$ 75,436,462         | \$ 76,214,049         | \$ 74,924,952         | \$ 72,365,552         | \$ 68,896,899         | \$ 67,253,260         | \$ 66,182,131         | \$ 82,344,700         | \$ 82,460,016         |
| Restricted   | 116,715               | 121,981               | 121,656               | 107,059               | 108,424               | 108,882               | 125,642               | 128,583               | 123,721               | 1,978,001             |
| Unrestricted                                       | 87,216,086            | 87,572,901            | 82,948,342            | 80,435,758            | 79,992,888            | 79,367,162            | 75,875,696            | 69,582,386            | 83,134,120            | 79,301,795            |
| <b>Total governmental activities net position</b>  | <b>\$ 161,092,350</b> | <b>\$ 163,131,344</b> | <b>\$ 159,284,047</b> | <b>\$ 155,467,769</b> | <b>\$ 152,466,864</b> | <b>\$ 148,372,943</b> | <b>\$ 143,254,598</b> | <b>\$ 135,893,100</b> | <b>\$ 165,602,541</b> | <b>\$ 163,739,812</b> |
| <b>Business-type activities</b>                    |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 10,332,684         | \$ 9,162,967          | \$ 7,993,250          | \$ 6,823,533          | \$ 5,653,816          | \$ 1,462,328          | \$ 1,462,328          | \$ 1,462,328          | \$ 112,328            | \$ 112,328            |
| Unrestricted (deficit)                             | (8,801,981)           | (7,631,760)           | (6,461,737)           | (5,291,246)           | (4,120,473)           | 199,403               | 295,878               | 147,915               | 133,342               | 160,308               |
| <b>Total business-type activities net position</b> | <b>\$ 1,530,703</b>   | <b>\$ 1,531,207</b>   | <b>\$ 1,531,513</b>   | <b>\$ 1,532,287</b>   | <b>\$ 1,533,343</b>   | <b>\$ 1,661,731</b>   | <b>\$ 1,758,206</b>   | <b>\$ 1,610,243</b>   | <b>\$ 245,670</b>     | <b>\$ 272,636</b>     |
| <b>Primary government</b>                          |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets                   | \$ 84,092,233         | \$ 84,599,429         | \$ 84,207,299         | \$ 81,748,485         | \$ 78,019,368         | \$ 70,359,227         | \$ 68,715,588         | \$ 67,644,459         | \$ 82,457,028         | \$ 82,572,344         |
| Restricted   | 116,715               | 121,981               | 121,656               | 107,059               | 108,424               | 108,882               | 125,642               | 128,583               | 123,721               | 1,978,001             |
| Unrestricted                                       | 78,414,105            | 79,941,141            | 76,486,605            | 75,144,512            | 75,872,415            | 79,566,565            | 76,171,574            | 69,730,301            | 83,267,462            | 79,462,103            |
| <b>Total primary government net position</b>       | <b>\$ 162,623,053</b> | <b>\$ 164,662,551</b> | <b>\$ 160,815,560</b> | <b>\$ 157,000,056</b> | <b>\$ 154,000,207</b> | <b>\$ 150,034,674</b> | <b>\$ 145,012,804</b> | <b>\$ 137,503,343</b> | <b>\$ 165,848,211</b> | <b>\$ 164,012,448</b> |



## Village of Royal Palm Beach, Florida

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

|   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2008                 | 2009                 | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 |
| <b>Expenses</b>                                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:                              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                                    | \$ 4,321,564         | \$ 4,275,564         | \$ 4,275,487         | \$ 4,487,030         | \$ 4,469,023         | \$ 4,511,520         | \$ 5,055,361         | \$ 5,077,561         | \$ 5,436,143         | \$ 5,863,876         |
| Public safety   | 7,576,149            | 7,911,221            | 8,576,547            | 8,550,405            | 8,493,956            | 8,497,276            | 8,675,596            | 8,779,942            | 9,083,219            | 9,317,725            |
| Public works  | 6,351,327            | 6,359,322            | 6,778,395            | 6,281,211            | 6,347,747            | 5,828,782            | 5,887,755            | 5,873,381            | 5,973,824            | 6,667,053            |
| Culture and recreation                                | 4,065,870            | 4,031,373            | 4,147,280            | 4,082,724            | 3,964,633            | 4,396,098            | 4,927,803            | 5,310,937            | 5,936,648            | 6,411,165            |
| Interest on long-term debt                            | 160,209              | 72,299               | 62,162               | 572,551              | 565,204              | 512,834              | 479,660              | 445,549              | 468,418              | -                    |
| <b>Total governmental activities expenses</b>         | <b>22,475,119</b>    | <b>22,649,779</b>    | <b>23,839,871</b>    | <b>23,973,921</b>    | <b>23,840,563</b>    | <b>23,746,510</b>    | <b>25,026,175</b>    | <b>25,487,370</b>    | <b>26,898,252</b>    | <b>28,259,819</b>    |
| Business-type activities:                             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water and wastewater                                  | 1,260,959            | 1,169,717            | 1,169,717            | 1,169,717            | 1,169,717            | 4,191,488            | -                    | -                    | 354,802              | -                    |
| Stormwater  | -                    | -                    | -                    | -                    | -                    | 628,544              | 670,174              | 737,943              | 808,863              | 771,144              |
| <b>Total business-type activities expenses</b>        | <b>1,260,959</b>     | <b>1,169,717</b>     | <b>1,169,717</b>     | <b>1,169,717</b>     | <b>1,169,717</b>     | <b>4,820,032</b>     | <b>670,174</b>       | <b>737,943</b>       | <b>1,163,665</b>     | <b>771,144</b>       |
| <b>Total primary government expenses</b>              | <b>\$ 23,736,078</b> | <b>\$ 23,819,496</b> | <b>\$ 25,009,588</b> | <b>\$ 25,143,638</b> | <b>\$ 25,010,280</b> | <b>\$ 28,566,542</b> | <b>\$ 25,696,349</b> | <b>\$ 26,225,313</b> | <b>\$ 28,061,917</b> | <b>\$ 29,030,963</b> |
| <b>Program Revenue</b>                                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:                              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for services:                                 |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                                    | \$ 559,475           | \$ 396,303           | \$ 453,207           | \$ 582,259           | \$ 769,962           | \$ 685,131           | \$ 821,766           | \$ 818,357           | \$ 668,106           | \$ 744,490           |
| Public safety   | 1,858,578            | 1,213,484            | 917,932              | 1,014,550            | 1,639,053            | 1,983,027            | 1,425,309            | 1,705,893            | 1,755,132            | 1,424,655            |
| Public works  | 915                  | 3,720                | 7,960                | 5,600                | 6,640                | 3,280                | 5,360                | 3,440                | 5,200                | 5,995                |
| Culture and recreation                                | 524,076              | 541,475              | 559,014              | 577,888              | 585,073              | 680,517              | 831,774              | 902,784              | 885,528              | 821,920              |
| Operating grants and contributions:                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                                    | 15,000               | 21,000               | 21,000               | 26,000               | 26,500               | 48,500               | 63,000               | 46,850               | 42,500               | 42,633               |
| Public safety   | 195,319              | 243,603              | 232,283              | 210,040              | 223,683              | 235,832              | 252,448              | 266,018              | 306,237              | 306,793              |
| Public works  | 284,785              | 30,241               | 49,231               | 35,427               | 63,572               | 34,758               | 35,505               | 135,808              | 137,650              | 179,504              |
| Culture and recreation                                | 14,720               | -                    | -                    | 1,237                | -                    | -                    | -                    | -                    | -                    | -                    |
| Capital grants and contributions:                     |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                                    | 22,680               | 8,812                | 4,192                | 4,529                | 28,736               | 20,233               | 11,838               | 14,919               | 184,082              | 344,148              |
| Public safety   | 105,979              | 50,976               | 18,442               | 19,830               | 171,927              | 151,878              | 50,798               | 83,512               | 101,577              | 181,838              |
| Public works  | 501,592              | 1,073,791            | 669,769              | 2,211,797            | 1,254,481            | 586,770              | 221,395              | 323,938              | 29,194               | 997,245              |
| Culture and recreation                                | 1,556,194            | 907,112              | 457,357              | 78,546               | 608,030              | 214,413              | 114,159              | 186,589              | 1,083,578            | 941,833              |
| <b>Total governmental activities program revenue</b>  | <b>5,639,313</b>     | <b>4,490,517</b>     | <b>3,390,387</b>     | <b>4,767,703</b>     | <b>5,377,657</b>     | <b>4,644,339</b>     | <b>3,833,352</b>     | <b>4,488,108</b>     | <b>5,198,784</b>     | <b>5,991,054</b>     |
| Business-type activities:                             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for services:                                 |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water and wastewater                                  | 1,260,959            | 1,169,717            | 1,169,717            | 1,169,717            | 1,169,717            | 4,191,488            | -                    | -                    | -                    | -                    |
| Stormwater  | -                    | -                    | -                    | -                    | -                    | 756,296              | 766,045              | 766,045              | 794,059              | 798,110              |
| <b>Total business-type activities program revenue</b> | <b>1,260,959</b>     | <b>1,169,717</b>     | <b>1,169,717</b>     | <b>1,169,717</b>     | <b>1,169,717</b>     | <b>4,947,784</b>     | <b>766,045</b>       | <b>766,045</b>       | <b>794,059</b>       | <b>798,110</b>       |
| <b>Total primary government program revenue</b>       | <b>\$ 6,900,272</b>  | <b>\$ 5,660,234</b>  | <b>\$ 4,560,104</b>  | <b>\$ 5,937,420</b>  | <b>\$ 6,547,374</b>  | <b>\$ 9,592,123</b>  | <b>\$ 4,599,397</b>  | <b>\$ 5,254,153</b>  | <b>\$ 5,992,843</b>  | <b>\$ 6,789,164</b>  |

(Continued)

## Village of Royal Palm Beach, Florida

Changes in Net Position (Continued)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

|  | Fiscal Year            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|  | 2008                   | 2009                   | 2010                   | 2011                   | 2012                   | 2013                   | 2014                   | 2015                   | 2016                   | 2017                   |
| <b>Net (expense) revenue</b>                             |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                  | \$ (16,835,806)        | \$ (18,159,262)        | \$ (20,449,484)        | \$ (19,206,218)        | \$ (18,462,906)        | \$ (19,102,171)        | \$ (21,192,823)        | \$ (20,999,262)        | \$ (21,699,468)        | \$ (22,268,765)        |
| Business-type activities                                 | 120,161                | -                      | -                      | -                      | -                      | -                      | 127,752                | 95,871                 | (369,606)              | 26,966                 |
| <b>Total primary government net expense</b>              | <b>\$ (16,715,645)</b> | <b>\$ (18,159,262)</b> | <b>\$ (20,449,484)</b> | <b>\$ (19,206,218)</b> | <b>\$ (18,462,906)</b> | <b>\$ (19,102,171)</b> | <b>\$ (21,065,071)</b> | <b>\$ (20,903,391)</b> | <b>\$ (22,069,074)</b> | <b>\$ (22,241,799)</b> |
| <b>General Revenue and Other Changes in Net Position</b> |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities:                                 |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Taxes:   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Property taxes   | \$ 5,308,387           | \$ 5,312,601           | \$ 5,534,219           | \$ 4,949,367           | \$ 3,941,701           | \$ 3,527,985           | \$ 3,342,150           | \$ 3,463,389           | \$ 4,272,825           | \$ 4,658,932           |
| Franchise fees   | 2,098,506              | 2,259,641              | 2,360,842              | 2,465,538              | 2,431,560              | 2,471,640              | 2,487,385              | 2,737,903              | 2,829,621              | 2,760,818              |
| Utility service taxes                                    | 3,761,697              | 3,898,634              | 3,941,068              | 4,464,979              | 4,231,877              | 4,142,025              | 4,265,188              | 4,479,608              | 4,499,054              | 4,557,505              |
| Business taxes   | -                      | -                      | -                      | 595,552                | 619,952                | 607,786                | 674,687                | 732,620                | 695,591                | 693,524                |
| State shared revenue, unrestricted                       | 4,096,322              | 3,966,766              | 3,567,781              | 3,307,944              | 3,312,182              | 3,386,274              | 3,945,021              | 4,234,389              | 4,883,138              | 6,893,200              |
| Investment earnings                                      | 2,658,844              | 5,020,513              | 4,589,959              | 4,414,876              | 2,064,915              | 1,054,230              | 318,975                | 417,401                | 922,983                | 572,871                |
| Gain on sale of capital assets                           | 154,098                | -                      | -                      | -                      | -                      | -                      | 2,556                  | 9,168                  | 137,499                | 269,186                |
| Transfers  | 70,054,263             | 20,458,155             | -                      | -                      | -                      | 200,000                | -                      | -                      | 33,168,198             | -                      |
| <b>Total governmental activities</b>                     | <b>88,132,117</b>      | <b>40,916,310</b>      | <b>19,993,869</b>      | <b>20,198,256</b>      | <b>16,602,187</b>      | <b>15,389,940</b>      | <b>15,035,962</b>      | <b>16,074,478</b>      | <b>51,408,909</b>      | <b>20,406,036</b>      |
| Business-type activities                                 |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Investment earnings                                      | 607,456                | 54,444                 | 13,931                 | 504                    | 306                    | 774                    | 636                    | 604                    | -                      | -                      |
| Other income   | -                      | -                      | -                      | -                      | -                      | 200,000                | -                      | -                      | -                      | -                      |
| Gain on sale of capital assets                           | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | 32,173,231             | -                      |
| Special item - net gain on sale of utility               | 40,585,497             | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| Transfers  | (70,054,263)           | -                      | -                      | -                      | -                      | (200,000)              | -                      | -                      | (33,168,198)           | -                      |
| <b>Total business-type activities</b>                    | <b>(28,861,310)</b>    | <b>54,444</b>          | <b>13,931</b>          | <b>504</b>             | <b>306</b>             | <b>774</b>             | <b>636</b>             | <b>604</b>             | <b>(994,967)</b>       | <b>-</b>               |
| <b>Total primary government</b>                          | <b>\$ 59,270,807</b>   | <b>\$ 40,970,754</b>   | <b>\$ 20,007,800</b>   | <b>\$ 20,198,760</b>   | <b>\$ 16,602,493</b>   | <b>\$ 15,390,714</b>   | <b>\$ 15,036,598</b>   | <b>\$ 16,075,082</b>   | <b>\$ 50,413,942</b>   | <b>\$ 20,406,036</b>   |
| <b>Changes in Net Position</b>                           |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                  | \$ 71,296,311          | \$ 22,757,048          | \$ (455,615)           | \$ 992,038             | \$ (1,860,719)         | \$ (3,712,231)         | \$ (6,156,861)         | \$ (4,924,784)         | \$ 29,709,441          | \$ (1,862,729)         |
| Business-type activities                                 | (28,741,149)           | 54,444                 | 13,931                 | 504                    | 306                    | 774                    | 128,388                | 96,475                 | (1,364,573)            | 26,966                 |
| <b>Total primary government</b>                          | <b>\$ 42,555,162</b>   | <b>\$ 22,811,492</b>   | <b>\$ (441,684)</b>    | <b>\$ 992,542</b>      | <b>\$ (1,860,413)</b>  | <b>\$ (3,711,457)</b>  | <b>\$ (6,028,473)</b>  | <b>\$ (4,828,309)</b>  | <b>\$ 28,344,868</b>   | <b>\$ (1,835,763)</b>  |

## Village of Royal Palm Beach, Florida

*Fund Balances of Governmental Funds*

*Last Ten Fiscal Years*

*(Modified Accrual Basis of Accounting)*

|                                     | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                     | 2008                 | 2009                 | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 |
| <b>General Fund</b>                 |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved                            | \$ 259,401           | \$ 247,493           | \$ 335,339           | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Unreserved                          | 7,437,233            | 7,487,073            | 6,651,791            | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Nonspendable:                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Prepaid items                       | -                    | -                    | -                    | 112,643              | 120,050              | 152,536              | 155,949              | 153,656              | 154,156              | 167,209              |
| Restricted for:                     |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Police education                    | -                    | -                    | -                    | 96,319               | 98,722               | 96,952               | 97,830               | 98,233               | 94,548               | 88,414               |
| Law enforcement                     | -                    | -                    | -                    | 10,740               | 9,702                | 11,930               | 27,812               | 30,350               | 29,173               | 30,797               |
| Assigned for:                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Debt service                        | -                    | -                    | -                    | -                    | 21,667,529           | 19,997,759           | 15,785,200           | 14,539,400           | -                    | -                    |
| Subsequent year's expenditures      | -                    | -                    | -                    | 2,734,013            | 1,623,256            | 2,524,333            | 2,227,995            | 2,284,478            | 3,046,224            | 3,352,350            |
| Unassigned                          | -                    | -                    | -                    | 74,171,800           | 51,478,969           | 49,852,893           | 51,342,701           | 50,651,117           | 76,262,937           | 73,977,435           |
| Total General Fund                  | <u>\$ 7,696,634</u>  | <u>\$ 7,734,566</u>  | <u>\$ 6,987,130</u>  | <u>\$ 77,125,515</u> | <u>\$ 74,998,228</u> | <u>\$ 72,636,403</u> | <u>\$ 69,637,487</u> | <u>\$ 67,757,234</u> | <u>\$ 79,587,038</u> | <u>\$ 77,616,205</u> |
| <b>All other governmental funds</b> |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Unreserved, reported in:            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Special Revenue Funds               | \$ 68,940,788        | \$ 71,308,043        | \$ 71,668,049        | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Capital Projects Funds              | 11,098,933           | 9,082,590            | 4,914,965            | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Restricted for:                     |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Capital projects                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 1,858,790            |
| Committed for:                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Capital projects                    | -                    | -                    | -                    | 18,721,020           | 9,638,838            | 7,124,473            | 7,045,481            | 6,132,637            | 8,154,815            | 6,077,940            |
| Recreation facilities               | -                    | -                    | -                    | 92,762               | 257,441              | 258,018              | 159,099              | 107,660              | 105,377              | 982,945              |
| Community beautification            | -                    | -                    | -                    | 222,712              | 289,131              | 289,981              | 1,438                | 73,512               | 73,512               | 172,684              |
| Total all other governmental funds  | <u>\$ 80,039,721</u> | <u>\$ 80,390,633</u> | <u>\$ 76,583,014</u> | <u>\$ 19,036,494</u> | <u>\$ 10,185,410</u> | <u>\$ 7,672,472</u>  | <u>\$ 7,206,018</u>  | <u>\$ 6,313,809</u>  | <u>\$ 8,333,704</u>  | <u>\$ 9,092,359</u>  |

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

# Village of Royal Palm Beach, Florida

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

|  | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2008              | 2009              | 2010              | 2011              | 2012              | 2013              | 2014              | 2015              | 2016              | 2017              |
| <b>Revenue</b>   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Taxes  | \$ 11,836,129     | \$ 12,475,436     | \$ 11,225,090     | \$ 10,749,436     | \$ 10,637,091     | \$ 10,769,410     | \$ 11,413,520     | \$ 11,476,888     | \$ 12,297,091     | \$ 12,670,779     |
| Licenses and permits                                     | 1,509,430         | 601,429           | 456,472           | 522,074           | 994,528           | 1,337,180         | 766,467           | 998,828           | 993,621           | 854,834           |
| Intergovernmental  | 5,321,115         | 5,247,062         | 4,661,513         | 5,854,751         | 4,973,409         | 4,616,697         | 4,638,627         | 5,041,090         | 5,742,404         | 8,491,588         |
| Charges for services                                     | 419,600           | 419,896           | 469,680           | 494,337           | 499,160           | 576,233           | 645,001           | 699,120           | 601,550           | 603,248           |
| Fines and forfeitures                                    | 349,148           | 334,758           | 261,460           | 267,476           | 419,525           | 420,847           | 433,842           | 482,065           | 536,824           | 485,613           |
| Investment earnings                                      | 4,589,959         | 4,414,876         | 2,064,915         | 1,054,230         | 886,188           | 318,975           | 417,401           | 825,024           | 922,983           | 572,871           |
| Impact fees  | 517,077           | 180,175           | 142,306           | 164,401           | 867,189           | 604,285           | 314,960           | 426,318           | 174,590           | 400,684           |
| Conditions of approval                                   | 110,698           | 194,842           | -                 | 14,828            | 264,981           | 5,000             | -                 | 177,640           | -                 | 986,997           |
| Miscellaneous  | 680,336           | 820,299           | 711,138           | 836,110           | 1,060,836         | 1,029,118         | 1,268,844         | 1,283,804         | 1,204,491         | 1,061,290         |
| <b>Total revenues</b>                                    | <b>25,333,492</b> | <b>24,688,773</b> | <b>19,992,574</b> | <b>19,957,643</b> | <b>20,602,907</b> | <b>19,677,745</b> | <b>19,898,662</b> | <b>21,410,777</b> | <b>22,473,554</b> | <b>26,127,904</b> |
| <b>Expenditures</b>                                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General government                                       | 4,225,471         | 4,219,511         | 4,144,402         | 4,390,574         | 4,347,966         | 4,449,801         | 5,064,449         | 5,030,545         | 5,212,267         | 5,548,986         |
| Public safety  | 7,397,543         | 7,747,778         | 8,398,401         | 8,377,235         | 8,320,498         | 8,327,729         | 8,503,007         | 8,628,119         | 8,856,418         | 9,104,060         |
| Public works   | 3,534,195         | 3,448,144         | 3,824,736         | 3,276,495         | 3,183,689         | 2,643,062         | 2,801,013         | 2,890,297         | 2,939,957         | 3,451,372         |
| Culture and recreation                                   | 3,030,343         | 2,922,047         | 3,058,083         | 3,060,993         | 3,072,684         | 3,478,336         | 4,090,582         | 4,517,487         | 4,499,375         | 4,390,440         |
| Capital outlay   | 7,429,375         | 5,634,349         | 4,772,053         | 7,132,274         | 11,060,385        | 3,978,543         | 1,308,167         | 1,742,625         | 4,613,153         | 5,860,792         |
| Debt service   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Principal  | 1,762,766         | 280,641           | 290,561           | -                 | 1,142,000         | 1,182,200         | 1,179,100         | 1,212,000         | 15,785,200        | -                 |
| Interest and fiscal charges                              | 165,000           | 77,259            | 67,338            | 168,996           | 662,551           | 523,610           | 490,670           | 457,314           | 365,561           | -                 |
| Debt issue costs   | -                 | -                 | -                 | 50,500            | 28,000            | -                 | -                 | -                 | -                 | -                 |
| Bond prepayment fee                                      | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 323,061           | -                 |
| <b>Total expenditures</b>                                | <b>27,544,693</b> | <b>24,329,729</b> | <b>24,555,574</b> | <b>26,457,067</b> | <b>31,817,773</b> | <b>24,583,281</b> | <b>23,436,988</b> | <b>24,478,387</b> | <b>42,594,992</b> | <b>28,355,650</b> |
| Revenue over (under) expenditures                        | (2,211,201)       | 359,044           | (4,563,000)       | (6,499,424)       | (11,214,866)      | (4,905,536)       | (3,538,326)       | (2,797,610)       | (20,121,438)      | (2,227,746)       |
| <b>Other financing sources (uses)</b>                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Insurance recoveries                                     | 16,234            | 7,851             | 7,643             | 3,174             | 31,771            | 28,217            | 63,788            | 5,800             | 32,657            | 35,024            |
| Proceeds from sale of capital assets                     | 2,633             | 21,949            | 302               | 2,448             | 264,831           | 2,556             | 9,168             | 19,348            | 770,282           | 980,544           |
| Proceeds from issuance of debt                           | -                 | -                 | -                 | 20,500,000        | 19,358,500        | -                 | -                 | -                 | -                 | -                 |
| Payment to refunded bond escrow agent                    | -                 | -                 | -                 | (1,614,333)       | (19,418,607)      | -                 | -                 | -                 | -                 | -                 |
| Transfers in   | 3,548,006         | 3,018,300         | 1,739,359         | 400,000           | 500,000           | 1,271,401         | 1,444,000         | 900,000           | 34,433,000        | 2,705,000         |
| Transfers out  | (3,548,006)       | (3,018,300)       | (1,739,359)       | (200,000)         | (500,000)         | (1,271,401)       | (1,444,000)       | (900,000)         | (1,264,802)       | (2,705,000)       |
| <b>Total other financing sources (uses)</b>              | <b>18,867</b>     | <b>29,800</b>     | <b>7,945</b>      | <b>19,091,289</b> | <b>236,495</b>    | <b>30,773</b>     | <b>72,956</b>     | <b>25,148</b>     | <b>33,971,137</b> | <b>1,015,568</b>  |
| Net change in fund balances                              | \$ (2,192,334)    | \$ 388,844        | \$ (4,555,055)    | \$ 12,591,865     | \$ (10,978,371)   | \$ (4,874,763)    | \$ (3,465,370)    | \$ (2,772,462)    | \$ 13,849,699     | \$ (1,212,178)    |
| Debt service as a percentage of non-capital expenditures | 9.58%             | 1.91%             | 1.81%             | 1.14%             | 8.83%             | 8.28%             | 7.55%             | 7.34%             | 42.52%            | 0.00%             |

## Village of Royal Palm Beach, Florida

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

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| Fiscal<br>Year | Ad Valorem<br>Taxes | Franchise<br>Fees | Utility<br>Service<br>Taxes | Business<br>Taxes (1) | Total         |
|----------------|---------------------|-------------------|-----------------------------|-----------------------|---------------|
| 2008           | \$ 5,534,219        | \$ 2,360,842      | \$ 3,941,068                | \$ -                  | \$ 11,836,129 |
| 2009           | 4,949,367           | 2,465,538         | 4,464,979                   | 595,552               | 12,475,436    |
| 2010           | 3,941,701           | 2,431,560         | 4,231,877                   | 619,952               | 11,225,090    |
| 2011           | 3,527,985           | 2,471,640         | 4,142,025                   | 607,786               | 10,749,436    |
| 2012           | 3,402,534           | 2,431,277         | 4,190,499                   | 612,781               | 10,637,091    |
| 2013           | 3,342,150           | 2,487,385         | 4,265,188                   | 674,687               | 10,769,410    |
| 2014           | 3,463,389           | 2,737,903         | 4,479,608                   | 732,620               | 11,413,520    |
| 2015           | 3,766,974           | 2,799,075         | 4,476,157                   | 704,682               | 11,746,888    |
| 2016           | 4,272,825           | 2,829,621         | 4,499,054                   | 695,591               | 12,297,091    |
| 2017           | 4,658,932           | 2,760,818         | 4,557,505                   | 693,524               | 12,670,779    |

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

## Village of Royal Palm Beach, Florida

*Assessed Value and Estimated Actual Value of Taxable Property*

*Last Ten Fiscal Years*

| <b>Fiscal<br/>Year</b> | <b>Real<br/>Property</b> | <b>Personal<br/>Property</b> | <b>Total</b>     | <b>Total<br/>Direct<br/>Tax Rate</b> | <b>Estimated Actual<br/>Taxable<br/>Value</b> |
|------------------------|--------------------------|------------------------------|------------------|--------------------------------------|---|
| <b>2008</b>            | \$ 2,734,523,508         | \$ 114,753,917               | \$ 2,849,277,425 | \$ 4.79                              | \$ 2,849,277,425                              |
| <b>2009</b>            | 2,491,708,640            | 111,383,434                  | 2,603,092,074    | 4.92                                 | 2,603,092,074                                 |
| <b>2010</b>            | 2,025,681,694            | 117,517,903                  | 2,143,199,597    | 5.38                                 | 2,143,199,597                                 |
| <b>2011</b>            | 1,777,026,096            | 117,059,540                  | 1,894,085,636    | 5.38                                 | 1,894,085,636                                 |
| <b>2012</b>            | 1,738,716,997            | 102,977,493                  | 1,841,694,490    | 5.38                                 | 1,841,694,490                                 |
| <b>2013</b>            | 1,706,429,634            | 100,652,682                  | 1,807,082,316    | 5.38                                 | 1,807,082,316                                 |
| <b>2014</b>            | 1,776,535,613            | 101,636,831                  | 1,878,172,444    | 5.38                                 | 1,878,172,444                                 |
| <b>2015</b>            | 1,941,988,056            | 109,353,208                  | 2,051,341,264    | 5.38                                 | 2,051,341,264                                 |
| <b>2016</b>            | 2,397,218,755            | 112,830,630                  | 2,510,049,385    | 5.38                                 | 2,510,049,385                                 |
| <b>2017</b>            | 2,602,640,902            | 98,917,446                   | 2,701,558,348    | 5.38                                 | 2,701,558,348                                 |

Source: Palm Beach County Property Appraiser's Office

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

## Village of Royal Palm Beach, Florida

*Direct and Overlapping Property Tax Rates*

*Last Ten Fiscal Years*

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

| Fiscal<br>Year | Village Direct Rates |                 |                 | Overlapping Rates       |                    |                                | Total    |
|----------------|----------------------|-----------------|-----------------|-------------------------|--------------------|--------------------------------|----------|
|                | General<br>Fund      | Debt<br>Service | Total<br>Direct | Palm<br>Beach<br>County | School<br>District | Special<br>Taxing<br>Districts |          |
| 2008           | \$ 4.77              | \$ 0.02         | \$ 4.79         | \$ 4.53                 | \$ 7.36            | \$ 2.13                        | \$ 18.81 |
| 2009           | 4.92                 | 0.00            | 4.92            | 4.51                    | 7.25               | 2.26                           | 18.94    |
| 2010           | 5.38                 | 0.00            | 5.38            | 5.60                    | 8.15               | 2.55                           | 21.69    |
| 2011           | 5.38                 | 0.00            | 5.38            | 5.60                    | 8.18               | 2.34                           | 21.50    |
| 2012           | 5.38                 | 0.00            | 5.38            | 5.60                    | 7.78               | 2.32                           | 21.07    |
| 2013           | 5.38                 | 0.00            | 5.38            | 5.59                    | 7.59               | 2.23                           | 20.79    |
| 2014           | 5.38                 | 0.00            | 5.38            | 5.58                    | 7.59               | 2.17                           | 20.72    |
| 2015           | 5.38                 | 0.00            | 5.38            | 5.53                    | 7.51               | 2.10                           | 20.52    |
| 2016           | 5.38                 | 0.00            | 5.38            | 5.51                    | 7.07               | 1.95                           | 19.91    |
| 2017           | 5.38                 | 0.00            | 5.38            | 5.49                    | 6.77               | 1.78                           | 19.42    |

Note: Tax rates are per \$1,000 of taxable value (1 mill). The Village's General Fund property tax rate may be increased only by a majority vote of the Village Council. Rates for debt service are set based on each year's requirements. Under Florida law, the Village has a 10 mill cap, including the tax rate of the Palm Beach County Fire Rescue MSTU.

## Village of Royal Palm Beach, Florida

Principal Property Taxpayers

Current Year and Nine Years Ago

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| Taxpayer                       | 2017                         |      |   | 2008                         |      |   |
|--------------------------------|------------------------------|------|---|------------------------------|------|---|
|                                | Taxable<br>Assessed<br>Value | Rank | Percentage of<br>Total Village<br>Taxable<br>Assessed Value | Taxable<br>Assessed<br>Value | Rank | Percentage of<br>Total Village<br>Taxable<br>Assessed Value |
| BPP Southern Palm LLC          | \$ 65,066,912                | 1    | 2.41%   | \$ -                         | -    | -   |
| Florida South Division LLC     | 56,621,601                   | 2    | 2.10%   | -                            | -    | -   |
| SCG Atlas Park Aire LLC        | 46,708,377                   | 3    | 1.73%   | -                            | -    | -   |
| Florida Power & Light Co       | 41,706,913                   | 4    | 1.54%   | -                            | -    | -   |
| Lennar Homes                   | 30,030,240                   | 5    | 1.11%   | -                            | -    | -   |
| CP Ipers Coral LLC             | 25,076,364                   | 6    | 0.93%   | -                            | -    | -   |
| Fairfield Hidden Harbor LLC    | 25,287,790                   | 7    | 0.94%   | -                            | -    | -   |
| SCG Buckingham Square LLC      | 22,656,844                   | 8    | 0.84%   | -                            | -    | -   |
| Wal Mart Stores East LP        | 19,959,919                   | 9    | 0.74%   | 22,649,798                   | 3    | 0.79%   |
| Royal Palm Center, LLC         | 20,319,505                   | 10   | 0.75%   | 13,000,000                   | 10   | 0.46%   |
| Carmelken LLLP                 | -                            | -    | -   | 27,089,813                   | 1    | 0.95%   |
| Southern Center Land Trust     | -                            | -    | -   | 23,650,742                   | 2    | 0.83%   |
| Inland Western Royal           | -                            | -    | -   | 20,159,801                   | 4    | 0.71%   |
| Ramco Crossroads at Royal Palm | -                            | -    | -   | 17,437,496                   | 5    | 0.61%   |
| Casco Properties               | -                            | -    | -   | 15,826,102                   | 6    | 0.56%   |
| Heritage Royal Palm Partners   | -                            | -    | -   | 15,088,747                   | 7    | 0.53%   |
| Palms West Hospital Inc.       | -                            | -    | -   | 13,821,358                   | 8    | 0.49%   |
| Second Fairgrounds Assoc, Ltd  | -                            | -    | -   | 13,510,180                   | 9    | 0.47%   |
| Total                          | \$ 353,434,465               |      | 13.09%  | \$ 182,234,037               |      | 6.40%   |

Source: Palm Beach County Property Appraiser's Office



## Village of Royal Palm Beach, Florida

### Property Tax Levies and Collections

Last Ten Fiscal Years

| Fiscal Year | Net Tax Levy* for the Fiscal Year | Collected within the Fiscal Year of the Levy |                    | Collections in Subsequent Years | Total Collections to Date |                    |
|-------------|-----------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|
|             |                                   | Amount                                       | Percentage of Levy |                                 | Amount                    | Percentage of Levy |
| 2008        | \$ 5,539,162                      | \$ 5,529,495                                 | 99.83 %            | \$ 4,695                        | \$ 5,534,190              | 99.91 %            |
| 2009        | 4,964,153                         | 4,928,283                                    | 99.28              | 25,347                          | 4,953,630                 | 99.79              |
| 2010        | 4,005,152                         | 3,923,499                                    | 97.96              | 52,408                          | 3,975,907                 | 99.27              |
| 2011        | 3,510,810                         | 3,484,380                                    | 99.25              | 35,827                          | 3,520,207                 | 100.27             |
| 2012        | 3,413,787                         | 3,362,724                                    | 98.50              | -                               | 3,362,724                 | 98.50              |
| 2013        | 3,469,598                         | 3,315,060                                    | 95.55              | 27,090                          | 3,342,150                 | 96.33              |
| 2014        | 3,606,091                         | 3,446,962                                    | 95.59              | 16,427                          | 3,463,389                 | 96.04              |
| 2015        | 3,938,575                         | 3,766,974                                    | 95.64              | -                               | 3,766,974                 | 95.64              |
| 2016        | 4,386,429                         | 4,272,825                                    | 97.41              | -                               | 4,272,825                 | 97.41              |
| 2017        | 4,819,295                         | 4,658,932                                    | 96.67              | -                               | 4,658,932                 | 96.67              |

Notes: All property taxes are assessed and collected by Palm Beach County. Collections are distributed in full as collected.

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

\*Tax levy, net of maximum allowance for discounts of 4% for fiscal years 2008 - 2017.

## Village of Royal Palm Beach, Florida

Utility Service Tax Revenues By Source

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

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| <b>Fiscal<br/>Year</b> | <b>Electricity</b> | <b>Telecommunications</b> | <b>Water</b> | <b>Gas</b> | <b>Total</b>        |
|------------------------|--------------------|---------------------------|--------------|------------|---------------------|
| <b>2008</b>            | \$ 1,954,826       | \$ 1,485,071              | \$ 394,883   | \$ 106,288 | \$ <b>3,941,068</b> |
| <b>2009</b>            | 1,996,922          | 1,914,538                 | 451,599      | 101,920    | <b>4,464,979</b>    |
| <b>2010</b>            | 2,167,701          | 1,502,573                 | 446,498      | 115,105    | <b>4,231,877</b>    |
| <b>2011</b>            | 2,147,928          | 1,412,562                 | 468,643      | 112,892    | <b>4,142,025</b>    |
| <b>2012</b>            | 2,160,221          | 1,458,902                 | 460,778      | 110,598    | <b>4,190,499</b>    |
| <b>2013</b>            | 2,340,259          | 1,357,696                 | 466,457      | 100,776    | <b>4,265,188</b>    |
| <b>2014</b>            | 2,603,701          | 1,282,944                 | 474,730      | 118,233    | <b>4,479,608</b>    |
| <b>2015</b>            | 2,650,189          | 1,243,779                 | 478,615      | 103,574    | <b>4,476,157</b>    |
| <b>2016</b>            | 2,755,210          | 1,134,368                 | 487,357      | 122,119    | <b>4,499,054</b>    |
| <b>2017</b>            | 2,804,492          | 1,078,399                 | 541,950      | 132,664    | <b>4,557,505</b>    |

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The Village assesses utility services taxes on charges for utility services at the following rates:

1. Electricity - 10%
2. Telecommunications:
  - 5.52% for the period October 1, 2006 to December 31, 2010
  - 5.22% for the period January 1, 2011 to September 30, 2017
3. Water - 10%
4. Gas - 6%

## Village of Royal Palm Beach, Florida

Principal Utility Service Taxpayers

Current Year and Nine Years Ago

| Taxpayer                    | 2017                     |      |  | 2008                     |      |  |
|-----------------------------|--------------------------|------|--|--------------------------|------|--|
|                             | Utility<br>Service Taxes | Rank | Percentage of<br>Total Village<br>Utility<br>Service Taxes | Utility<br>Service Taxes | Rank | Percentage of<br>Total Village<br>Utility<br>Service Taxes |
| Florida Power & Light Co    | \$ 2,804,492             | 1    | 61.54%   | \$ 1,954,826             | 1    | 49.60%   |
| AT&T                        | 1,078,399                | 2    | 23.66%   | 1,485,071                | 2    | 37.68%   |
| Village of Royal Palm Beach | 541,950                  | 3    | 11.89%   | 394,883                  | 3    | 10.02%   |
| Florida Public Utilities    | 63,026                   | 4    | 1.38%  | 44,890                   | 4    | 1.14%  |
| Lowes Home Centers, Inc     | 22,523                   | 5    | 0.49%  | 18,703                   | 5    | 0.47%  |
| Siegel Gas                  | -                        |      | -  | 13,198                   | 6    | 0.33%  |
| Amerigas Propane            | 12,096                   | 6    | 0.27%  | 8,067                    | 7    | 0.20%  |
| Miscellaneous other         | 35,019                   | 7    | 0.77%  | 21,430                   | 8    | 0.56%  |
| Total                       | <u>\$ 4,557,505</u>      |      | <u>100.00%</u>   | <u>\$ 3,941,068</u>      |      | <u>100.00%</u>   |

Source: Village Finance records

## Village of Royal Palm Beach, Florida

*Ratios of Outstanding Debt by Type*

*Last Ten Fiscal Years*

| Fiscal<br>Year | Governmental Activities <sup>(1)</sup> |                             |      | Notes<br>Payable | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income | Per<br>Capita |
|----------------|--|-----------------------------|------|------------------|--------------------------------|-------------------------------------|---------------|
|                | General<br>Obligation<br>Bonds         | Special<br>Revenue<br>Bonds |      |                  |                                |                                     |               |
| 2008           | \$ -                                   | \$ -                        | \$ - | 2,185,535        | \$ 2,185,535                   | 0.31%                               | \$ 72.05      |
| 2009           | -                                      | -                           | -    | 1,904,894        | 1,904,894                      | 0.24%                               | 59.78         |
| 2010           | -                                      | -                           | -    | 1,614,333        | 1,614,333                      | 0.19%                               | 51.14         |
| 2011           | -                                      | -                           | -    | 20,500,000       | 20,500,000                     | 2.49%                               | 657.03        |
| 2012           | -                                      | -                           | -    | 19,358,500       | 19,358,500                     | 1.97%                               | 567.03        |
| 2013           | -                                      | -                           | -    | 18,176,300       | 18,176,300                     | 2.00%                               | 520.39        |
| 2014           | -                                      | -                           | -    | 16,997,200       | 16,997,200                     | 1.73%                               | 467.43        |
| 2015           | -                                      | -                           | -    | 15,785,200       | 15,785,200                     | 1.57%                               | 427.71        |
| 2016           | -                                      | -                           | -    | -                | -                              | -                                   | -             |
| 2017           | -                                      | -                           | -    | -                | -                              | -                                   | -             |

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

## Village of Royal Palm Beach, Florida

*Ratios of Net General Bonded Debt Outstanding*

*Last Ten Fiscal Years*

| <b>Fiscal<br/>Year</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Less:<br/>Amounts<br/>Reserved<br/>for Debt<br/>Service</b> | <b>Total</b> | <b>Percentage<br/>of Actual<br/>Value of<br/>Property</b> | <b>Population</b> | <b>Per<br/>Capita</b> |
|------------------------|---|--|--------------|---|-------------------|-----------------------|
| 2008                   | \$ -                                    | -  | \$ -         | -   | 30,334            | \$ -                  |
| 2009                   | -                                       | -  | -            | -   | 31,864            | -                     |
| 2010                   | -                                       | -  | -            | -   | 31,567            | -                     |
| 2011                   | -                                       | -  | -            | -   | 31,201            | -                     |
| 2012                   | -                                       | -  | -            | -   | 34,140            | -                     |
| 2013                   | -                                       | -  | -            | -   | 34,928            | -                     |
| 2014                   | -                                       | -  | -            | -   | 36,363            | -                     |
| 2015                   | -                                       | -  | -            | -   | 36,906            | -                     |
| 2016                   | -                                       | -  | -            | -   | 37,138            | -                     |
| 2017                   | -                                       | -  | -            | -   | 37,485            | -                     |

Note: The Village has not had any outstanding General Obligation Bonds from 2008 through 2017.

## Village of Royal Palm Beach, Florida

Direct and Overlapping Governmental Activities Debt

September 30, 2017

|  | Total<br>Outstanding  | Percentage<br>Applicable to<br>Village of Royal<br>Palm Beach <sup>(1)</sup> | Amount<br>Applicable to<br>Village of Royal<br>Palm Beach |
|--|-----------------------|--|---|
| Direct:  |                       |  |   |
| Village of Royal Palm Beach  | \$ -                  | 100.00%  | \$ -  |
| Overlapping:   |                       |  |   |
| Palm Beach County <sup>(2)</sup>   | 103,305,000           | 1.53%  | 1,580,567   |
| Palm Beach County School District <sup>(3)</sup>                           | 11,396,000            | 1.53%  | 174,359   |
| Total overlapping debt   | 114,701,000           |  | 1,754,926   |
| <b>Total direct and overlapping debt<br/>payable from ad valorem taxes</b> | <b>\$ 114,701,000</b> |  | <b>1,754,926</b>  |
| Estimated population   |                       |  | 37,485  |
| Total direct and overlapping debt per capita                               |                       |  | \$ 46.82  |

### NOTES:

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

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

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

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

## Village of Royal Palm Beach, Florida

*Demographic and Economic Statistics*

*Last Ten Fiscal Years*

| <b>Fiscal<br/>Year</b> | <b>Population<sup>(1)</sup></b> | <b>Total<br/>Personal<br/>Income<sup>(2)</sup></b> | <b>Per<br/>Capita<br/>Personal<br/>Income<sup>(2)</sup></b> | <b>Median<br/>Age<sup>(2)</sup></b> | <b>Education<br/>Level in<br/>Years of<br/>Schooling<sup>(2)</sup></b> | <b>School<br/>Enrollment<sup>(3)</sup></b> | <b>Unemployment<br/>Rate<sup>(2)</sup></b> |
|------------------------|---------------------------------|--|---|-------------------------------------|--|--|--|
| 2008                   | 30,334                          | \$ 716,276,742                                     | \$ 23,613   | 38.6                                | 13.5   | 6,071                                      | 2.9%                                       |
| 2009                   | 31,864                          | 795,134,256  | 24,954  | 38.7                                | 13.5   | 5,954                                      | 7.2%                                       |
| 2010                   | 31,567                          | 833,873,872  | 26,416  | 39                                  | 13.5   | 5,450                                      | 7.7%                                       |
| 2011                   | 31,201                          | 824,205,616  | 26,416  | 39                                  | 13.5   | 5,398                                      | 7.7%                                       |
| 2012                   | 34,140                          | 981,798,120  | 28,758  | 37                                  | 13.4   | 5,374                                      | 8.8%                                       |
| 2013                   | 34,928                          | 908,093,072  | 25,999  | 37                                  | 13.4   | 6,338                                      | 5.9%                                       |
| 2014                   | 36,363                          | 982,164,630  | 27,010  | 37                                  | 13.4   | 6,378                                      | 5.2%                                       |
| 2015                   | 36,906                          | 1,008,235,014                                      | 27,319  | 37                                  | 13.6   | 4,893                                      | 5.2%                                       |
| 2016                   | 37,138                          | 1,072,749,000                                      | 28,815  | 37                                  | 13.5   | 4,971                                      | 4.1%                                       |
| 2017                   | 37,485                          | 1,079,060,000                                      | 28,786  | 37                                  | 13.6   | 4,894                                      | 3.3%                                       |

### NOTES:

<sup>(1)</sup> The population for 2008 through 2011 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 2012 was obtained from the 2010 U.S. Census Bureau count. The population for 2013 thru 2015 was obtained from the Business Development Board of Palm Beach County. The population for 2016 forward was obtained from the University of Florida Bureau of Economic Business Administration.

<sup>(2)</sup> Source: Business Development Board of Palm Beach County

<sup>(3)</sup> Source: School District of Palm Beach County

## Village of Royal Palm Beach

Principal Employers

Current Year and Nine Years Ago

|                                   | 2017 <sup>(1)</sup> |      |                                       | 2008      |      |                                       |
|-----------------------------------|---------------------|------|---------------------------------------|-----------|------|---------------------------------------|
|                                   | Employees           | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| <b>Employer</b>                   |                     |      |                                       |           |      |                                       |
| Palm Beach County School District | 21,200              | 1    | 3.17%                                 | 21,707    | 1    | 3.50%                                 |
| Tenet Healthcare Corp.            | 6,136               | 2    | 0.92%                                 | 4,500     | 3    | 0.73%                                 |
| Palm Beach County Government      | 5,928               | 3    | 0.89%                                 | 11,293    | 2    | 1.82%                                 |
| NextEra Energy (Hqtrs)            | 4,021               | 4    | 0.60%                                 | 3,250     | 5    | 0.52%                                 |
| Hospital Corp of America          | 3,550               | 5    | 0.53%                                 | 3,411     | 4    | 0.55%                                 |
| Veterans Health Administration    | 2,800               | 6    | 0.42%                                 | 1,860     | 9    | 0.30%                                 |
| Florida Atlantic University       | 2,761               | 7    | 0.41%                                 | 2,923     | 6    | 0.47%                                 |
| Veterans Health Administration    | 2,468               | 8    | 0.37%                                 | -         | -    | -                                     |
| Bethesda Memorial Hospital        | 2,200               | 9    | 0.33%                                 | -         | -    | -                                     |
| Office Depot (Headquarters)       | 2,034               | 10   | 0.30%                                 | 2,180     | 8    | 35.00%                                |
| The Breakers                      | -                   | -    | -                                     | 2,300     | 7    | 0.37%                                 |
| Florida Crystals                  | -                   | -    | -                                     | 1,800     | 10   | 0.29%                                 |
| Totals                            | 53,098              |      | 7.94%                                 | 55,224    |      | 43.55%                                |

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



## Village of Royal Palm Beach, Florida

*Village Government Employees by Function*

*Last Ten Fiscal Years*

|                              | Fiscal Year |            |            |            |            |            |            |            |            |            |
|------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                              | 2008        | 2009       | 2010       | 2011       | 2012       | 2013       | 2014       | 2015       | 2016       | 2017       |
| General government           | 20          | 16         | 16         | 18         | 18         | 18         | 18         | 18         | 18         | 19         |
| Public Safety <sup>(1)</sup> |             |            |            |            |            |            |            |            |            |            |
| Community Development        | 16          | 14         | 13         | 13         | 12         | 12         | 12         | 12         | 12         | 12         |
| Public Works                 |             |            |            |            |            |            |            |            |            |            |
| Engineering                  | 8           | 8          | 7          | 5          | 5          | 5          | 5          | 5          | 6          | 7          |
| Public Works                 | 35          | 35         | 31         | 31         | 30         | 30         | 29         | 29         | 30         | 31         |
| Culture/Recreation           | 80          | 77         | 72         | 72         | 77         | 77         | 83         | 86         | 86         | 80         |
| <b>Total</b>                 | <b>159</b>  | <b>150</b> | <b>139</b> | <b>139</b> | <b>142</b> | <b>142</b> | <b>147</b> | <b>150</b> | <b>152</b> | <b>149</b> |

Source: Village Human Resources office.

<sup>(1)</sup> Police services are contracted with the Palm Beach County Sheriff's Office.

## Village of Royal Palm Beach, Florida

Operating Indicators by Function

Last Ten Fiscal Years

| Function   | Fiscal Year |        |        |       |       |       |       |       |       |       |
|--|-------------|--------|--------|-------|-------|-------|-------|-------|-------|-------|
|  | 2008        | 2009   | 2010   | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  |
| <b>Public Safety</b>                               |             |        |        |       |       |       |       |       |       |       |
| <b>Police</b>                                      |             |        |        |       |       |       |       |       |       |       |
| Physical arrests <sup>(1)</sup>                    | 1,318       | 1,123  | 1,173  | 1,136 | 980   | 949   | 805   | 1,027 | 872   | 743   |
| Parking violations <sup>(2)</sup>                  | 214         | 371    | 280    | 290   | 225   | 444   | 188   | 180   | 124   | 643   |
| Traffic violations <sup>(3)</sup>                  | 12,203      | 12,825 | 11,425 | 8,700 | 9,944 | 8,943 | 4,245 | 4,862 | 3,455 | 4,199 |
| <b>Fire</b>  |             |        |        |       |       |       |       |       |       |       |
| Number of calls <sup>(4)</sup>                     | 3,634       | 3,712  | 3,502  | 3,682 | 3,504 | 3,604 | 3,692 | 3,894 | 3,907 | 4,153 |
| <b>Parks and Recreation Services<sup>(2)</sup></b> |             |        |        |       |       |       |       |       |       |       |
| Participants - Athletic Programs                   | 1,889       | 1,759  | 1,607  | 1,636 | 1,543 | 1,747 | 2,308 | 2,133 | 1,937 | 1,372 |
| Participants - Arts & Craft/Classes                | 374         | 342    | 459    | 497   | 610   | 437   | 508   | 406   | 459   | 435   |
| Participants - Social/Special Events               | 243         | 200    | 179    | 186   | 429   | 498   | 540   | 559   | 575   | 566   |
| Participants - Health/Fitness Programs             | 704         | 691    | 700    | 789   | 1,638 | 1,325 | 1,173 | 1,644 | 1,232 | 1,254 |
| Participants - Spring/Summer Camps                 | 940         | 940    | 917    | 889   | 348   | 621   | 359   | 604   | 525   | 628   |
| Participants - Other Programs                      | 104         | 75     | 65     | 62    | 36    | -     | -     | -     | -     | -     |
| Participants - Seniors Programs                    | 2,257       | 2,570  | 3,048  | 7,741 | 2,714 | 2,752 | 2,850 | 3,380 | 3,636 | 4,720 |
| Participants - Teen Programs                       | 1,977       | 1,875  | 1,438  | 1,500 | 1,437 | 884   | 698   | 755   | 565   | 120   |
| <b>Roads and Streets<sup>(2)</sup></b>             |             |        |        |       |       |       |       |       |       |       |
| Street resurfacing (lane miles)                    | -           | -      | -      | 4.13  | -     | 4.00  | -     | -     | 2.80  | 7.20  |
| Pot holes repaired                                 | N/A         | 127    | 113    | 68    | 45    | 18    | 35    | 43    | 97    | 22    |

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

N/A: Not available.

Source:

<sup>(1)</sup> Florida Department of Law Enforcement

<sup>(2)</sup> Village departments

<sup>(3)</sup> Palm Beach County Sheriff's Office

<sup>(4)</sup> Palm Beach County Fire Rescue

## Village of Royal Palm Beach, Florida

Capital Asset Statistics by Function

Last Ten Fiscal Years

| Function                             | Fiscal Year |      |      |      |      |      |      |      |       |       |
|--------------------------------------|-------------|------|------|------|------|------|------|------|-------|-------|
|                                      | 2008        | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016  | 2017  |
| <b>Roads and Streets</b>             |             |      |      |      |      |      |      |      |       |       |
| Street lights                        | 668         | 668  | 668  | 668  | 668  | 695  | 703  | 950  | 1,200 | 1,200 |
| Lane miles                           | 147         | 147  | 147  | 147  | 147  | 148  | 148  | 149  | 149   | 149   |
| <b>Parks and Recreation Services</b> |             |      |      |      |      |      |      |      |       |       |
| Ballfields                           | 16          | 14   | 14   | 14   | 14   | 14   | 14   | 14   | 14    | 14    |
| Basketball courts                    | 10          | 12   | 14   | 14   | 14   | 14   | 14   | 14   | 14    | 14    |
| Soccer fields                        | 4           | 4    | 4    | 4    | 4    | 8    | 8    | 8    | 8     | 8     |
| Tennis courts                        | 8           | 8    | 8    | 8    | 8    | 8    | 8    | 8    | 8     | 8     |
| Parks                                | 18          | 24   | 24   | 24   | 24   | 24   | 24   | 24   | 24    | 24    |
| Bocce courts                         | 4           | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4     | 4     |
| Remote car track                     | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1     | 1     |
| Racquetball courts                   | N/A         | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4     | 4     |
| Hockey rink                          | 2           | 1    | 1    | 1    | 1    | -    | -    | -    | -     | -     |
| Skate park                           | -           | -    | -    | -    | -    | 1    | 1    | 1    | 1     | 1     |

Sources: Village departments

N/A: Not available.

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

## **COMPLIANCE REPORTS**



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

CERTIFIED PUBLIC ACCOUNTANTS

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

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401-5948  
TELEPHONE: (561) 832-9292

850 NW FEDERAL HIGHWAY, SUITE 121  
STUART, FL 34994-1019  
TELEPHONE: (772) 872-2123

info@cdlcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Royal Palm Beach, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Village of Royal Palm Beach, Florida, and have issued our report thereon dated March 5, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

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

West Palm Beach, Florida  
March 5, 2018



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Management Letter

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

**Report on the Financial Statements**

We have audited the financial statements of the Village of Royal Palm Beach, Florida (the "Village"), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated February March 5, 2018.

**Auditor's Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on Investment Compliance on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 5, 2018, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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

**Official Title and Legal Authority**

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

## **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Village has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes, as of and for the year ended September 30, 2017.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Village as of September 30, 2017. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. The results of our procedures disclosed no matters that are required to be reported.

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

## **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Village for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

## **Additional Matters**

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

## **Purpose of this Letter**

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

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

West Palm Beach, Florida  
March 5, 2018





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

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Independent Accountant's Report on Investment Compliance

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

We have examined the Village of Royal Palm Beach, Florida's (the "Village") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on the Village's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village's compliance with specified requirements.

In our opinion, the Village complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

West Palm Beach, Florida  
March 5, 2018

*Caler, Donten, Levine,  
Cohen, Porter & Veil, P.A.*