

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND**

FINANCIAL STATEMENTS

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2018 AND 2017**

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FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Palm Beach Gardens Firefighters' Pension Fund (the "Fund") as of and for the year ended September 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Palm Beach Gardens Firefighters' Pension Fund and do not purport to, and do not present fairly, the financial position of the City of Palm Beach Gardens, Florida, as of September 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the City of Palm Beach Gardens Firefighters' Pension Fund as of and for the year ended September 30, 2017, were audited by a predecessor who issued an unmodified opinion dated April 2, 2018.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-8 and the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios, Schedule of Contributions and Schedule of Investment Returns on pages 24-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide 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 an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 25, 2019

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Unaudited)**

This section of the annual financial report presents Management's Discussion and Analysis (MD&A) of the City of Palm Beach Gardens Firefighters' Pension Fund (the "Fund") financial performance. This analysis provides an overview of financial activities and funding conditions for fiscal year ended September 30, 2018. Please read it in conjunction with the Fund financial statements, which immediately follow.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: (1) the MD&A, (2) the basic financial statements, and (3) notes to the financial statements and other required supplementary information.

The financial statements provide both long-term and short-term information about the Fund's overall financial status. The financial statements also includes notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the statement of changes in fiduciary net position. All assets and liabilities associated with the operation of the Fund are included in the statement of fiduciary net position.

The statement of fiduciary net position reports fiduciary net position and how it has changed. A net difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Fund.

Financial Highlights

The Fund's net results from operations for fiscal year 2018 reflected the following financial activities:

- Net position restricted for pension was \$104,505,396, which was 11% greater than the 2017 total net position.
- Total contributions for the year were \$5,281,116, which was 33% higher than the 2017 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Participant contributions were 6% of their compensation.
- Total interest and dividend earnings were \$2,795,051, which was 18% higher than the 2017 earnings.
- Net investment income was \$8,474,082, which was 27% lower than the 2017 income.
- Benefits paid were \$2,209,875, which was 34% greater than the benefits paid during 2017.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Unaudited)**

The Fund's net results from operations for fiscal year 2017 reflected the following financial activities:

- Net position restricted for pension was \$94,459,444, which was 16% greater than the 2016 total net position.
- Total contributions for the year were \$3,983,614, which was 3% lower than the 2016 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Participant contributions were 6% of their compensation.
- Total interest and dividend earnings were \$2,369,142, which was 17% higher than the 2016 earnings.
- Net investment income was \$11,594,418, which was 88% greater than the 2016 income.
- Benefits paid were \$1,648,698, which was 7% greater than the benefits paid during 2016.

Statement of Fiduciary Net Position

The following condensed comparative statement of fiduciary net position is a snap shot of account balances at the fiscal year end of the Fund. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for Fund benefits.

The Pension Fund continues to be evaluated for actuarial soundness by the actuary of the Fund. It should be noted that retirement system funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Fiduciary net position at September 30, 2018, was \$104,505,396, a 11% increase from fiduciary net position at September 30, 2017.
- Fiduciary net position at September 30, 2017, was \$94,459,444, a 16% increase from fiduciary net position at September 30, 2016.
- Total investments at September 30, 2018, were \$103,133,081, a 10% increase from the investments at September 30, 2017.
- Total investments at September 30, 2017, were \$93,531,797, a 15% increase from the investments at September 30, 2016.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Unaudited)**

The tables below present condensed comparative statements of fiduciary net position as of September 30:

	2018	2017	% Change
Cash	\$ 447,609	\$ 328,003	36%
Receivables	1,568,989	789,132	99%
Investments, at fair value	103,133,081	93,531,797	10%
Other assets	1,797	-	100%
Total assets	105,151,476	94,648,932	11%
Accounts payable	213,890	142,055	51%
Accounts payable - purchase of investments	432,190	47,433	811%
Total liabilities	646,080	189,488	241%
Net position restricted for pensions	\$ 104,505,396	\$ 94,459,444	11%

	2017	2016	% Change
Cash	\$ 328,003	\$ -	100%
Receivables	789,132	353,787	123%
Investments, at fair value	93,531,797	81,252,674	15%
Other assets	-	-	100%
Total assets	94,648,932	81,606,461	16%
Accounts payable	142,055	93,862	51%
Accounts payable - purchase of investments	47,433	167,812	-72%
Total liabilities	189,488	261,674	-28%
Net position restricted for pensions	\$ 94,459,444	\$ 81,344,787	16%

Statement of Changes in Fiduciary Net Position

The statement of changes in fiduciary net position presents the effect of Fund transactions that occurred during the fiscal year. On the statement, additions to the Fund minus deductions from the Fund equal net increase or decrease in fiduciary net position.

The funding objective is to meet long-term obligations and fund all Fund benefits.

- For the year ended September 30, 2018, revenues (additions to the fiduciary net position) for the Fund were \$13,755,198, which was made up of total contributions of \$5,281,116, plus net investment income of \$8,474,082.
- Expenses (deductions from the fiduciary net position) increased from \$2,463,448 during 2017, to \$3,709,246, during 2018.
- For the year ended September 30, 2017, revenues (additions to the fiduciary net position) for the Fund were \$15,578,105, which was made up of total contributions of \$3,983,614, plus net investment income of \$11,594,418, and other income of \$73.
- Expenses (deductions from the fiduciary net position) increased from \$1,900,507 during 2016, to \$2,463,448, during 2017.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Unaudited)**

The tables below present condensed comparative statements of changes in fiduciary net position for the years ended September 30:

	2018	2017	% Change
Total contributions	\$ 5,281,116	\$ 3,983,614	33%
Net investment income	8,474,082	11,594,418	-27%
Other income	-	73	-100%
Total additions	13,755,198	15,578,105	-12%
Total deductions	3,709,246	2,463,448	51%
Net increase	10,045,952	13,114,657	-23%
Net position restricted for pensions - beginning	94,459,444	81,344,787	16%
Net position restricted for pensions - ending	\$ 104,505,396	\$ 94,459,444	11%

	2017	2016	% Change
Total contributions	\$ 3,983,614	\$ 4,116,804	-3%
Net investment income	11,594,418	6,155,704	88%
Other income	73	3,052	-98%
Total additions	15,578,105	10,275,560	52%
Total deductions	2,463,448	1,900,507	30%
Net increase	13,114,657	8,375,053	57%
Net position restricted for pensions - beginning	81,344,787	72,969,734	11%
Net position restricted for pensions - ending	\$ 94,459,444	\$ 81,344,787	16%

Asset Allocation

The table below indicates the Fund investment policy limitations and actual asset allocations as of September 30, 2018:

	Investment Policy	Actual Allocation
Domestic equities	40%-60%	58%
International equities	5%-15%	2%
Fixed income	10%-30%	27%
International fixed income	0%-10%	1%
Real estate	5%-15%	11%
Other assets	0%-10%	0%
Cash and cash equivalents	0%-5%	2%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Unaudited)**

The Board of Trustees (the "Board") recognizes that some risk must be assumed to achieve the Fund's long-term investment objectives. In establishing the risk tolerances, the Fund's ability to withstand short- and intermediate-term variability has been considered. However, the Fund's financial condition enables the Board to adopt a long-term investment perspective.

Investment Activities

Investment income is vital to the Fund for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making Fund investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Fund. The investment policy statement was last amended in May 2017.

The Board and its investment consultant review portfolio performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

Financial Analysis Summary

The investment activities for the fiscal years ended September 30, 2018 and 2017, are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Fund has consistently implemented a high quality, conservative approach.

Contacting the Fund's Financial Management

This financial analysis is designed to provide the Board, plan participants and the marketplace credit analysts with an overview of the Fund's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the Fund:

Foster & Foster
c/o City of Palm Beach Gardens Firefighters' Pension Fund
2503 Del Prado Blvd, S. Suite 502
Cape Coral, Florida 33904

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2018 AND 2017**

	2018	2017
ASSETS		
Cash	\$ 447,609	\$ 328,003
Receivables:		
Accounts receivable - employer	282,936	165,810
Accounts receivable - Chapter 175	723,847	483,485
Accounts receivable - employee	18,212	16,346
Accounts receivable - sale of investments	389,800	-
Accrued investment income	154,194	123,491
Total receivables	1,568,989	789,132
Investments, at fair value:		
Money market funds	1,695,429	1,886,127
Equity securities	54,144,118	53,413,581
U.S. government obligations	5,806,334	5,388,889
Mortgage-backed securities	3,715,690	3,475,694
Collateralized mortgage obligations	350,033	270,199
Corporate bonds	8,872,078	6,396,379
Foreign bonds	826,585	675,425
Fixed income mutual funds	8,893,783	7,006,672
International equity mutual funds	1,781,264	-
Real estate funds	11,194,464	9,533,459
Equity common trust fund	5,853,303	5,485,372
Total investments, at fair value	103,133,081	93,531,797
Other assets:		
Prepays	1,797	-
Total assets	105,151,476	94,648,932
LIABILITIES		
Accounts payable	213,890	142,055
Accounts payable - purchase of investments	432,190	47,433
Total liabilities	646,080	189,488
Net position restricted for pensions	\$ 104,505,396	\$ 94,459,444

See accompanying notes to financial statements.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
Additions		
Contributions		
Employer	\$ 4,083,310	\$ 3,048,414
State of Florida (Chapter 175)	723,847	483,485
Employee	473,959	451,715
Total contributions	5,281,116	3,983,614
Investment income		
Net appreciation in fair value of investments	6,138,551	9,698,081
Interest and dividend income	2,795,051	2,369,142
Total investment income	8,933,602	12,067,223
Less investment expenses	459,520	472,805
Net investment income	8,474,082	11,594,418
Other income	-	73
Total additions	13,755,198	15,578,105
Deductions		
Benefit payments	2,209,875	1,648,698
DROP distributions	880,652	233,047
Share plan distributions	499,133	471,314
Refund of contributions	18,060	-
Administrative expenses	101,526	110,389
Total deductions	3,709,246	2,463,448
Change in net position	10,045,952	13,114,657
Net position held in trust for pension benefits		
Beginning of year	94,459,444	81,344,787
End of year	\$ 104,505,396	\$ 94,459,444

See accompanying notes to financial statements.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The City of Palm Beach Gardens Firefighters' Pension Fund's (the "Fund") financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for government accounting and financial reporting.

Reporting Entity: The financial statements are only for the Firefighters' Pension Fund of the City of Palm Beach Gardens, Florida (the "City") and are not intended to present the basic financial statements of the City.

The Fund is included in the City's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2018 and 2017, separately issued documents. Anyone wishing further information about the City is referred to the City's CAFR.

The Fund is a single-employer defined benefit fund covering all eligible firefighters. The Fund was established by the City in accordance with a City ordinance and state statutes.

Estimates: The preparation of financial statements in accordance with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, the disclosure of contingent assets and liabilities and the accrued actuarial liability at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Investment Valuation and Income Recognition: Investments are reported at fair value (see Note 3). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (see Note 4 for discussion of fair value measurements).

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Fund's gains and losses on investments bought and sold as well as held during the year.

Concentration of Credit Risks: Financial instruments which potentially expose the Fund to concentration of credit risk, as defined by GAAP, consist primarily of cash, contribution receivables and related income.

The Fund maintains its cash deposits at a financial institution which, from time to time, may exceed federally insured limits. The exposure of the Fund from these transactions is solely dependent upon the daily account balance and the financial strength of the respective institution. The Fund manages risk by maintaining its deposit accounts at a high quality financial institution. As of September 30, 2018, the Fund had approximately \$213,609 of deposits in excess of federally insured limits.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Fund's investments consist of common stocks, equity common trust fund, foreign bonds, collateralized mortgage obligations, mortgage backed securities, government securities, corporate bonds, real estate, mutual funds and money market funds, which inherent in the fair market value determination, include the risk factor of credit worthiness for each individual security.

Reclassification: Certain prior year amounts have been reclassified for consistency with current period presentation. These reclassifications had no effect on the Statements of Fiduciary Net Position or the Statements of Changes in Fiduciary Net Position.

NOTE 2 – DESCRIPTION OF THE PENSION FUND

The following description of the City of Palm Beach Gardens Firefighters' Pension Fund (the "Fund") provides only general information. Participants should refer to the City's ordinance for more complete information.

The Fund is a single-employer defined benefit fund covering all eligible firefighters. The Fund was established by the City in accordance with a City ordinance and state statutes.

Management of the Fund is vested in the Board. The Board consists of five trustees, two of whom are appointed by the Council of the City of Palm Beach Gardens, Florida (the "City"), two of whom are full-time firefighters who are elected by a majority of the Fund participants, and a fifth trustee who is chosen by the other four trustees.

Plan membership as of October 1, 2017, the date of the latest actuarial valuation, consisted of:

Active plan participants	99
Inactive plan participants or beneficiaries currently receiving benefits	54
Inactive plan participants entitled to but not yet receiving benefits	<u>7</u>
Total	<u><u>160</u></u>

Eligibility: All firefighters as of the effective date, and all future new firefighters, become participants of the Fund as a condition of employment.

Benefits: The Fund provides normal retirement, early retirement, deferred retirement, disability retirement and death benefits. The benefit provisions are established and may be amended under the authority of City Ordinance.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – DESCRIPTION OF THE FUND (CONTINUED)

Normal Benefits: A participant may retire with normal benefits after the earlier of age 52 with 10 years of credited service, or 25 years of credited service regardless of age. Reduced early retirement benefits are available once a participant reaches age 50 and accumulates 10 years of credited service. Normal retirement benefits are 3.0% of the participant's average final compensation times the participant's credited service years up to a maximum of 99% (75% for participants retiring on or after September 13, 2012, who were not eligible for normal retirement or who did not have an accrued pension benefit in excess of 75% of average final compensation on that date) of average final compensation. Early retirement benefits are the same as normal retirement benefits, reduced by 3.0% for each year by which the commencement of benefits precedes age 52. Average final compensation for purposes of calculating benefits is one twelfth of the average annual salary for the best 5 years of the last 10 years of credited service. Salary means the total compensation for services rendered to the City as a firefighter reportable on the participant's W-2 form plus all tax deferred, tax sheltered or tax exempt items of income derived from elective employee payroll deduction or salary reduction. Notwithstanding the preceding sentence, effective September 13, 2012, salary shall exclude all overtime compensation as well as payments for unused accrued sick and annual leave; provided the salary of any participant employed on September 13, 2012, shall include payment for unused accrued sick and annual leave up to the number of hours of unused sick and annual leave accrued on September 13, 2012.

Deferred Retirement Option Plan: Any participant who attains 25 years of service or age 52 with 10 years of service may elect to participate in a deferred retirement option plan (DROP) while continuing their active employment as a firefighter.

Upon participation in the DROP plan, the participant becomes a retiree for all plan purposes so that they cease to accrue any further benefits under the plan. Normal retirement payments that would have been payable to the participant as a result are accumulated and invested in the DROP plan to be distributed to the participant upon their termination of employment. Participation in the DROP plan ceases for a participant at the first to occur of: (a) termination of employment, or (b) 5 years of participation.

The DROP plan amount included as a component of net position at September 30, 2018 and 2017, was \$7,197,418 and \$6,664,705, respectively.

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

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – DESCRIPTION OF THE PENSION FUND (CONTINUED)

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

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

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

Funding: All participants are required to contribute 6.00% of pretax earnings.

Pursuant to Florida law, the City is ultimately responsible for the actuarially soundness of the Fund. Therefore, each year, the City must contribute an amount determined by the Board in conjunction with the Fund's actuary to be sufficient, along with the employees contribution, to fund the defined benefits under the Fund.

Pursuant to Chapter 175, *Florida Statutes*, the City imposes a 1.85% tax on fire insurance premiums paid to insure real or personal property within its corporate limits. The proceeds of this tax are contributed to the Fund and allocated to the individual participants' accounts to fund the money purchase portion of the benefits.

Each participant's salary will be allocated from the state's annual contribution and credited as additional participant contributions. The remainder of the state's annual contribution will be allocated to individual participant share accounts based on years of credited service determined as of September 30, as follows: 2.00% of salary plus the lesser of 4.80% of salary or \$507,634. Upon retirement, disability, death, or termination, a participant is entitled to a lump sum payment of the vested balance of his or her share account. Participant share accounts are not segregated from the other assets of the Fund. As of September 30, 2017, the balance of participant share accounts was \$10,023,674. As of September 30, 2018, the Fund is in the process of reconciling the Supplemental Benefit 175 Share Account member balances which were underfunded due to prior payroll reporting errors recently discovered by the Board of Trustees

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – DESCRIPTION OF THE PENSION FUND (CONTINUED)

Rate of Return: For the year ended September 30, 2018, the annual money-weighted rate of return on Fund investments, net of Fund investment expense, was 8.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3 – INVESTMENTS

The Fund's policy in regard to the allocation of invested assets is established and may be amended by the Board. Fund assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Fund. The investment policy statement was last amended in May 2017. The following was the Board's adopted asset allocation policy as of September 30, 2018:

Domestic equities	50.00%
International equity	10.00%
Domestic fixed income	20.00%
Global fixed income	5.00%
Real estate	10.00%
Alternative	5.00%

Authorized Investments: Florida Statutes and the Fund's investment policy limit investments to equities traded on a national security exchange or electronic network; time or savings accounts; obligations issued by the United States Government or by an agency of the United States Government; corporate stocks and bonds; and pooled funds, including mutual funds, commingled funds, exchange-traded funds, limited partnerships, and private equity. Investments in illiquid investments, as described by Florida Statutes, are prohibited. Investments in companies identified as scrutinized companies by the Florida State Board of Administration (SBA) are prohibited, with the exception of investments in scrutinized companies that are held within commingled funds (if the commingled fund sponsor does not offer a similar fund that does not hold investments in scrutinized companies).

At September 30, 2018, the Fund had the following investments:

Investment Type	Credit Rating		Fair Market	Investment Maturity (in Years)			
	(Moody's)	(S & P's)		Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	Not rated	Not rated	\$ 1,695,429	\$ 1,695,429	\$ -	\$ -	\$ -
U.S. Government obligations	Aaa	AA+	5,806,334	235,000	1,046,313	2,167,639	2,357,382
Mortgage-backed securities	Aaa...Aa1	A	4,065,723	-	5,374	614,971	3,445,378
Corporate bonds	Aaa...Baa3	AAA...BBB-	8,872,078	758,832	5,456,761	2,004,675	651,810
Foreign bonds	Aa2...Baa3	AA-...BBB	826,585	-	286,777	261,360	278,448
			21,266,149	\$ 2,689,261	\$ 6,795,225	\$ 5,048,645	\$ 6,733,018
Fixed income mutual funds	Not rated	Not rated	8,893,783				
Equity securities	Not rated	Not rated	59,997,421				
International equity mutual funds	Not rated	Not rated	1,781,264				
Real estate funds	Not rated	Not rated	11,194,464				
Total investments			\$ 103,133,081				

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – INVESTMENTS (CONTINUED)

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

Investment Type	Credit Rating		Fair Market	Investment Maturity (in Years)			
	(Moody's)	(S & P's)		Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	Not Rated	Not Rated	\$ 1,886,127	\$ 1,886,127	\$ -	\$ -	\$ -
U.S. Government obligations	Aaa	AA+	5,388,889	1,041,253	1,770,253	147,045	2,430,338
Mortgage-backed securities	Aaa...Aa1	AAA...AA	3,745,893	-	6,605	947,624	2,791,664
Corporate bonds	Aaa...Baa3	AAA...BBB+	6,396,379	513,181	3,115,966	2,139,143	628,089
Foreign bonds	Not Rated	Not Rated	675,425	-	232,371	214,997	228,057
			<u>18,092,713</u>	<u>\$ 3,440,561</u>	<u>\$ 5,125,195</u>	<u>\$ 3,448,809</u>	<u>\$ 6,078,148</u>
Fixed income mutual funds	Not rated	Not rated	7,006,672				
Equity securities	Not rated	Not rated	58,898,953				
Real estate funds	Not rated	Not rated	9,533,459				
Total investments			<u>\$ 93,531,797</u>				

There was \$81,866,932 and \$75,439,084 in securities that were unrated at September 30, 2018 and 2017, respectively.

Foreign currency risk is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than US dollars and the carrying value of foreign investments. The Fund's exposure to foreign currency risk derives mainly from its investments in international equity funds. The Fund owns participation in international equity funds as well as individual securities.

The investment policy limits the foreign investments to no more than 25% of the Fund's investment balance. For the years ended, September 30, 2018 and 2017, the foreign investments were 3% and 9% of total investments, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS

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

Level 1 – Inputs to the valuation methodology are based upon quoted prices for identical assets in active markets.

Level 2 – Inputs to the valuation methodology are based upon observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3 – Inputs to the valuation methodology are based upon observable inputs.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for asset measured at fair value.

Common Stocks: Valued at the closing price reported on a national or international exchange.

Mutual Funds: Valued at the daily closing price as reported by the Fund. Mutual funds held by the Fund are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Fund are deemed to be actively traded.

Government Securities and Mortgage Backed Securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate Bonds, Collateralized Mortgage Obligations and Foreign Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yield of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote, if available.

Real Estate Investment Fund: Valued at the net asset value of shares held by the Fund at year end. The Fund has investment in a private market real estate investment for which no liquid public market exists.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the Fund's fair value hierarchy for investments at fair value as of September 30, 2018 and 2017:

	September 30, 2018			
	Fair Value Measurements Using			
	Total	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$ 25,501,627	\$ 24,881,277	\$ 620,350	\$ -
Equity balanced mutual funds	1,781,264	1,781,264	-	-
Equity mutual funds	34,495,794	34,495,794	-	-
Total equity securities	<u>61,778,685</u>	<u>61,158,335</u>	<u>620,350</u>	<u>-</u>
Real estate funds	5,424,817	-	-	5,424,817
Debt securities:				
U.S. treasury securities	5,571,334	5,571,334	-	-
U.S. agency securities	235,000	235,000	-	-
Mortgage-backed securities	3,715,690	-	3,715,690	-
Collateralized mortgage obligations	350,033	-	350,033	-
Corporate bonds	8,872,078	-	8,872,078	-
Foreign bonds	826,585	-	826,585	-
Fixed income mutual funds	8,893,783	8,893,783	-	-
Total debt securities	<u>28,464,503</u>	<u>14,700,117</u>	<u>13,764,386</u>	<u>-</u>
Total investments by fair value level	<u>95,668,005</u>	<u>\$ 75,858,452</u>	<u>\$ 14,384,736</u>	<u>\$ 5,424,817</u>
<u>Investments measured at net asset value ("NAV")^(a)</u>				
Real estate funds	<u>5,769,647</u>			
Total investments measured at the NAV	<u>5,769,647</u>			
Money market funds (exempt)	<u>1,695,429</u>			
Total investments	<u>\$ 103,133,081</u>			

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

	September 30, 2017			
	Fair Value Measurements Using			
Total	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments by fair value level				
Equity securities:				
Common stocks	\$ 30,413,693	\$ 30,413,693	\$ -	\$ -
Equity balanced mutual funds	1,857,453	-	1,857,435	-
Equity mutual funds	21,142,435	21,142,435	-	-
Total equity securities	<u>53,413,581</u>	<u>51,556,128</u>	<u>1,857,435</u>	<u>-</u>
Debt securities:				
U.S. treasury securities	2,662,937	2,662,937	-	-
U.S. agency securities	2,725,952	-	2,725,952	-
Mortgage-backed securities	3,475,694	-	3,475,694	-
Collateralized mortgage obligations	270,199	-	270,199	-
Corporate bonds	6,396,379	-	6,396,379	-
Foreign bonds	675,425	-	675,425	-
Fixed income mutual funds	7,006,672	-	7,006,672	-
Total debt securities	<u>23,213,258</u>	<u>2,662,937</u>	<u>20,550,321</u>	<u>-</u>
Total investments by fair value level	<u>76,626,839</u>	<u>\$ 54,219,065</u>	<u>\$ 22,407,756</u>	<u>\$ -</u>
Investments measured at net asset value ("NAV")^(a)				
Real estate funds	9,533,459			
Equity common trust fund	5,485,372			
Total investments measured at the NAV	<u>15,018,831</u>			
Money market funds (exempt)	<u>1,886,127</u>			
Total investments	<u>\$ 93,531,797</u>			

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following tables:

Investment	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at Net Asset Value (NAV), September 30, 2018				
Real estate investment fund ⁽¹⁾	\$ 5,424,817	\$ -	Quarterly	90 Days
Total investments measured at NAV	<u>\$ 5,424,817</u>	<u>\$ -</u>		

Investment	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at Net Asset Value (NAV), September 30, 2017				
Real estate investment fund ⁽¹⁾	\$ 4,622,647	\$ -	Quarterly	90 Days
Real estate fund ⁽²⁾	4,910,812	-		
Equity common trust fund ⁽³⁾	5,485,372	-		
Total investments measured at NAV	<u>\$ 15,018,831</u>	<u>\$ -</u>		

⁽¹⁾Real estate investment fund: The fund is an open-ended real estate investment fund investing primarily in core institutional office, retail, industrial, and multi-family properties located throughout the United States. The investment is valued NAV and its redemptions must be received by the fund 90 days prior to quarter end.

⁽²⁾Real estate fund: The fund is an open-ended real estate investment fund investing primarily in core institutional office, retail, industrial, and multi-family properties located throughout the United States. The investment is valued at NAV and its redemptions must be received by the fund 90 days prior to quarter end.

⁽³⁾Equity common trust fund: The fund is an international equity commingled fund that consists of asset invested in a diversified portfolio of foreign equity securities deemed to be undervalued by the fund's investment team. The investment is valued at NAV and its redemptions must be received by the fund 5 days prior to month end.

NOTE 5 – RISKS AND UNCERTAINTIES

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position available for benefits.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – NET PENSION LIABILITY OF THE FUND

Pension Fund contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

The components of the net pension liability of the Fund at September 30, 2018, were as follows:

	2018	2017
Total pension liability	\$ 124,507,506	\$ 118,737,468
Plan fiduciary net position	104,505,396	94,459,444
Net pension liability	\$ 20,002,110	\$ 24,278,024
 Plan fiduciary net position as a percentage of the total pension liability	83.94%	79.55%

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Aged based
Discount rate	7.25%
Investment rate of return	7.25%

Mortality Rate Healthy Inactive Lives:

- Female: RP2000 Generational, 100% Annuitant
White Collar, Scale BB.
- Male: RP2000 Generational, 10% Annuitant White Collar/90% Annuitant
Blue Collar, Scale BB.

Mortality Rate Healthy Active Lives:

- Female: RP2000 Generational, 100% Combined Healthy (previously Annuitant)
White Collar, Scale BB.
- Male: RP2000 Generational, 10% Combined Healthy (previously Annuitant)
White Collar/90% Combined Healthy Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

- Female: 60% RP2000 Disabled Female set forward two years/40% Annuitant
White Collar with no setback, no projection scale.
- Male: 60% RP2000 Disabled Male setback four years/40% Annuitant
White Collar with no setback, no projection scale.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – NET PENSION LIABILITY OF THE FUND (CONTINUED)

The most recent actuarial experience study used to review the other significant assumptions was dated November 4, 2013.

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

Best estimate of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of September 30, 2018, (see the discussion of the Fund's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.50%
International equity	8.50%
Domestic fixed income	2.50%
Global fixed income	3.50%
Real estate	4.50%
Alternative	6.00%

Discount Rate: A single discount rate of 7.25% was used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed the Fund participant contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the participant rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current Fund participants. Therefore, the long-term expected rate of return on Fund investments was applied to all periods of projected benefit payments to determine the total pension liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the Fund was calculated using the discount rate of 7.25%. It was also calculated using a discount rate that was 1-percentage-point lower (6.25%) and 1-percentage-point higher (8.25%) and the different computations we compared.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 35,980,740	\$ 20,002,110	\$ 7,130,712

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – INCOME TAXES

The Fund is exempt from federal income taxes under the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

Accounting principles generally accepted in the United States of America require Fund management to evaluate tax positions taken by the Fund and recognize a tax liability if the Fund has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Fund through March 25, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS**

	2018	2017	2016	2015	2014	2013
Total pension liability						
Service cost	\$ 1,899,698	\$ 1,799,419	\$ 1,637,466	\$ 1,760,152	\$ 1,741,473	\$ 1,540,354
Interest	8,615,415	7,817,426	7,174,074	6,786,918	6,280,207	5,827,406
Share plan allocation	188,808	483,485	51,623	222,133	304,698	-
Differences	(1,326,161)	3,648,972	(1,684,439)	(1,460,746)	-	-
Benefit payments	(3,607,721)	(2,353,058)	(1,803,517)	(1,935,428)	(1,844,859)	(1,613,497)
Changes of assumptions	-	3,032,216	5,890,763	2,004,899	1,772,793	-
Net change in total pension liability	5,770,039	14,428,460	11,265,970	7,377,928	8,254,312	5,754,263
Total pension liability, beginning	118,737,468	104,309,008	93,043,038	85,665,110	77,410,798	71,656,535
Total pension liability, ending	124,507,507	118,737,468	104,309,008	93,043,038	85,665,110	77,410,798
Plan fiduciary net position						
Contributions - employer	4,083,310	3,048,414	3,088,524	3,746,995	2,866,126	3,347,645
Contributions - state	723,847	483,485	568,403	726,993	843,533	750,073
Contributions - member (employee)	473,959	451,715	455,983	445,465	475,442	497,684
Net investment income	8,474,082	11,594,418	6,152,911	835,212	6,977,925	6,392,179
Benefit payments	(3,607,720)	(2,353,059)	(1,803,517)	(1,935,428)	(1,844,859)	(1,613,497)
Administrative expenses	(101,526)	(110,389)	(91,145)	(84,807)	(88,142)	(99,667)
Other changes	-	73	14,447	-	-	-
Net change in plan fiduciary net position	10,045,952	13,114,657	8,385,606	3,734,430	9,230,025	9,274,417
Plan fiduciary net position, beginning	94,459,444	81,344,787	72,959,181	69,224,751	59,994,726	50,720,309
Plan fiduciary net position, ending	104,505,396	94,459,444	81,344,787	72,959,181	69,224,751	59,994,726
Net Pension liability, ending	\$ 20,002,111	\$ 24,293,857	\$ 22,978,668	\$ 20,083,857	\$ 16,440,359	\$ 17,416,072
Plan fiduciary net position as a percentage of total pension liability	83.94%	79.55%	77.98%	78.41%	80.81%	77.50%
Covered payroll	\$ 7,868,225	\$ 7,497,133	\$ 7,599,715	\$ 9,695,082	\$ 7,924,041	\$ 8,294,732
Net pension liability as a percentage of covered payroll	254.21%	324.04%	302.36%	207.16%	207.47%	209.97%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying Independent Auditor's reports and noted to the required supplementary information.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
SCHEDULE OF CONTRIBUTIONS**

	2018	2017	2016	2015	2014	2013
Actuarially determined employer contribution	\$ 4,807,157	\$ 3,531,899	\$ 3,605,305	\$ 3,460,519	\$ 3,404,960	\$ 3,443,143
Actual employer contribution	4,807,157	3,531,899	3,605,305	4,251,855	3,404,960	3,911,687
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (791,336)</u>	<u>\$ -</u>	<u>\$ (468,544)</u>
Covered payroll	\$ 7,868,225	\$ 7,497,133	\$ 7,599,715	\$ 9,695,082	\$ 7,924,041	\$ 8,294,732
Actual Contributions as a percentage of covered payroll	58.68%	47.11%	47.44%	43.86%	42.97%	47.16%

Valuation Date: 10/1/2016

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry age normal actuarial cost method.
 Amortization Method: Level percentage of pay, closed.
 Remaining amortization period: 20 years (as of 10/01/2016).
 Mortality: RP-2000 Table with no projection. Disabled lives set forward 5 years:
 Interest rate: 7.45% per year compounded annually.

Retirement rates:	Age	Probability of Retirement
	50	5%
	51	5%
	52	50%
	53	10%
	54	10%
	55	100%

For those members who attain 25 years of Credited Service, regardless of age, the probability of retirement is 100%.

Termination rates:	Age	Years of Service	% Separating from Employment Within the Next Year
	All ages	0	15.00%
		1	10.00%
		2	9.00%
		3	8.00%
		4	7.00%
	25	5 & Over	7.00%
	30		5.90%
	35		4.40%
	40		3.00%
	45		2.10%
	50		1.70%
	55		1.00%

Salary increases:	Age	Increase
	20	8.20%
	30	5.60%
	40	5.20%
	50	4.70%
	60	4.50%

Cost of living adjustments: 1.0% increase for members who are age 53, 2.0% increase for members who are age 54, and 3.0% increase for members who are age 55 and greater. For those members who are not eligible for normal retirement as of September 12, 2012, the COLA beginning at age 55 is based on 3% for service prior to September 12, 2012, and 1.5% for service thereafter.

Payroll growth: 0.00% for amortization of the Unfunded Actuarial Liability. This is in compliance with Part VII of Chapter 112, Florida Statutes.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS**

Year ended September 30,	Annual money-weighted rate of return net of investment expense
2018	8.75%
2017	14.37%
2016	8.21%
2015	0.92%
2014	11.65%
2013	14.29%
2012	17.64%
2011	(1.61%)
2010	7.78%
2009	1.01%

OTHER SUPPLEMENTARY INFORMATION

**CITY OF PALM BEACH GARDENS
FIREFIGHTERS' PENSION FUND
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Administrative expenses:		
Accounting	\$ 9,873	\$ 7,280
Actuarial fees	25,041	17,790
Administrative fees	32,181	43,860
Meetings and conferences	7,303	5,233
Insurance	9,446	12,166
Legal fees	17,114	20,349
Miscellaneous	568	3,711
Total administrative expenses	<u>\$ 101,526</u>	<u>\$ 110,389</u>

OTHER AUDITOR'S REPORT



**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Palm Beach Gardens Firefighters' Pension Fund, (the "Fund") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 25, 2019.

Internal Control over Financial Reporting

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

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

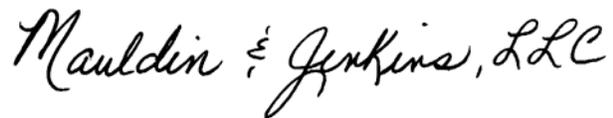
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida
March 25, 2019