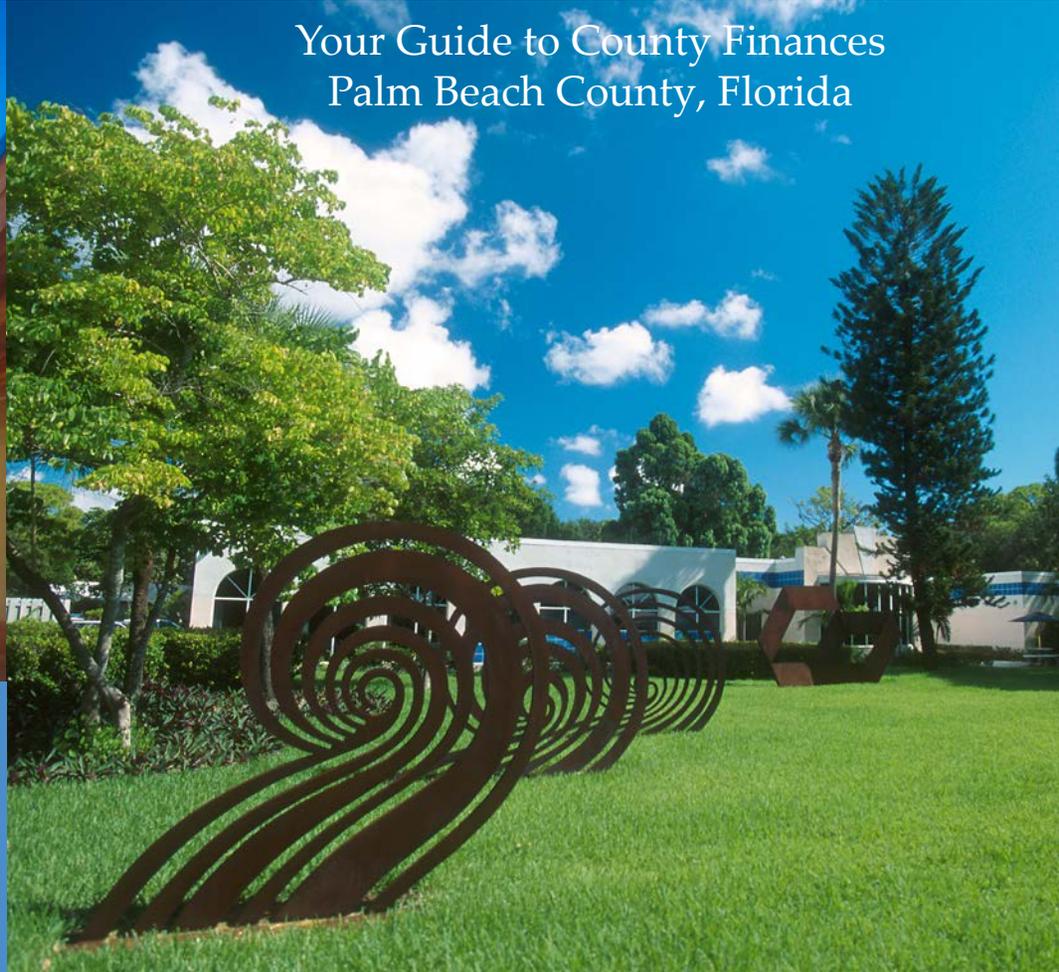




Checks & Balances



Your Guide to County Finances
Palm Beach County, Florida



Prepared by the Clerk & Comptroller
for the Fiscal Year Ended
September 30, 2013



MESSAGE FROM CLERK BOCK

Dear Residents,

Welcome to the Fiscal Year 2013 version of *Checks & Balances: Your Guide to County Finances*, the eighth edition of our award-winning report about Palm Beach County's fiscal health. I thank you for taking this opportunity to better understand how your tax dollars are spent and to learn more about how our County operates.

My responsibilities as Clerk & Comptroller for Palm Beach County include serving as the County's independent Chief Financial Officer, Auditor and Treasurer. I am dedicated to providing clear, concise information about how taxpayer money is managed, as part of my commitment to increasing transparency and accountability in government. In fact, our FY 2012 annual report was recently recognized by the League of American Communications Professionals as 35th in its category of the "Top 50 Annual Reports Worldwide."

Each year, the Clerk & Comptroller's team of skilled finance professionals reviews an array of data that measure the financial strength of Palm Beach County government. In addition to examining how much of your tax money is collected and spent, the team evaluates other key metrics that affect our County's fiscal well-being, such as housing prices and employment rates.

I'm pleased to report that, in Fiscal Year 2013, we saw signs of an economic recovery for Palm Beach County – from the declining unemployment rate (see *Your Community*, page 4) and the spike in building permits in our communities (see *Your Community*, page 5) to the increase in property tax revenue (see *Property Taxes*, page 9) and sales tax collections (see *User Fees*, page 10).

Checks & Balances: Your Guide to County Finances is one of the many useful financial publications available on our website at www.mypalmbeachclerk.com/countyfinances. For a more in-depth view of County finances, please review our *Comprehensive Annual Financial Report*, which serves as the basis for much of the information you'll find in this edition of *Checks & Balances*.

Thank you for electing me to be your Clerk & Comptroller. I am proud to serve as your public watchdog.

Best regards,



Sharon R. Bock, Esq.
Constitutional Clerk & Comptroller, Palm Beach County



Sharon R. Bock
Clerk & Comptroller
Palm Beach County

Clerk & Comptroller Sharon R. Bock, Esq., holds a Juris Doctorate, has earned insurance and securities licenses Series 7, 63 and 65 and has been certified as an Accredited Investment Fiduciary®. Elected to office in 2004, one of Clerk Bock's top priorities is to educate the public about how tax dollars are managed and spent.

About This Guide

All of us understand the necessity of budgeting – knowing how much money is coming in and prioritizing how that money is ultimately spent. Budgets and spending are especially important in government, since every dollar spent comes from taxpayers. Just as you track your personal budget, it’s also important to have transparency around how your tax money is budgeted and spent.

That’s why, for the eighth consecutive year, the Clerk & Comptroller, Palm Beach County presents *Checks & Balances: Your Guide to County Finances*. This annual guide is an excellent tool to help you understand how public money is managed.

Most of the information in this award-winning report is derived from the Clerk & Comptroller’s *Comprehensive Annual Financial Report* (CAFR) for the fiscal year that ended on September 30, 2013. The CAFR, available at www.mypalmbeachclerk.com/countyfinances, includes more than 200 pages of detailed County financial statements, notes, schedules and reports.

Checks & Balances, which is also known as the *Popular Annual Financial Report* (PAFR), includes condensed and simplified information from the CAFR, County budget and other financial reports. This guide is a recommended practice of the Government Finance Officers Association (GFOA), the authority on best practices in governmental accounting and financial reporting.

As part of its commitment to cost savings, the Clerk & Comptroller’s office has printed a limited number of copies of this guide. Citizens are encouraged to view the online edition at www.mypalmbeachclerk.com/countyfinances. The electronic version of *Checks & Balances* contains useful links to other helpful information and reference materials used to create this guide.

Because this is a summary, *Checks & Balances* does not conform with generally accepted accounting principles and reporting requirements for government entities. Additionally, this guide does not include financial information on the Solid Waste Authority, Housing Finance Authority of Palm Beach County, Westgate/Belvedere Homes Community Redevelopment Agency or the Metropolitan Planning Organization of Palm Beach County. These organizations are set up by Florida Statutes, County ordinance or resolution to be entities that are legally separate from the County.

*“Tell me and I’ll forget;
Show me and I may remember;
Involve me and I’ll understand.”*

-CHINESE PROVERB

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Government in Your County

Established in 1909 as a political subdivision of the state of Florida, Palm Beach County is governed by a Board of County Commissioners (BOCC), made up of seven citizens elected from separate districts. These commissioners act as a local legislative and executive body, setting public policy, levying taxes and funding projects, programs and the operations for more than 30 County departments. An appointed County administrator carries out the policies and decisions made and approved by the commissioners. The BOCC is regulated by state statutes and a County charter that voters approved in 1984. The County operates under a “home rule” charter, which means that citizens can create, modify or amend local laws.

BUDGET PROCESS

The County must prepare an annual budget authorizing the spending of public money, which comes primarily from your property taxes. State law requires the County to have a balanced budget that can only be amended throughout the year with BOCC approval at public board meetings (see *Budget at a Glance*, page 11). The fiscal year for the budget begins on October 1 and ends on September 30.

In addition to the BOCC, there are 38 municipalities within Palm Beach County that create their own budgets and have the ability to tax residents living in the municipality. There also are more than 80 different special districts within the County that may levy taxes or assessments.

CONSTITUTIONAL CHECK AND BALANCE

Voters also elect five independent constitutional officers who are a check and balance on the BOCC. They are the Clerk & Comptroller, Property Appraiser, Sheriff, Supervisor of Elections and Tax Collector. The framers of the Florida Constitution intentionally made these countywide offices separate from the rest of County government to ensure the entity that decides how to spend your tax dollars (BOCC) is not the same entity that pays the County’s bills (Clerk & Comptroller), assesses your property’s taxable value (Property Appraiser), collects your taxes (Tax Collector), protects its citizens (Sheriff), or oversees the election process (Supervisor of Elections). These offices cannot set public policy or levy taxes like the BOCC. These constitutional officers are audited regularly by the state and are required to follow strict constitutional and statutory guidelines. The Sheriff and Supervisor of Elections are funded by your property taxes, while the Clerk & Comptroller, Tax Collector and Property Appraiser are primarily funded by user fees.

As the independent Clerk to the Board of County Commissioners, the Clerk & Comptroller makes it easy to stay informed about County government and BOCC decisions. Detailed meeting minutes linked to video of BOCC meetings are available through myMinutes online at www.mypalmbeachclerk.com/minutes.

MAJOR INITIATIVES FY 2013 PALM BEACH COUNTY

- **Public safety:** Ensuring Palm Beach County’s safety and security continued to be a priority for the Board of County Commissioners in FY 2013. The Sheriff and Fire Rescue requested budgets were fully funded by the BOCC at \$478 million and \$262 million, respectively, net of reserves.
- **Convention Center hotel:** Plans were finalized during FY 2013 for the new Palm Beach County Convention Center hotel, adjacent to the convention center in downtown West Palm Beach. The BOCC approved a \$27 million public subsidy for construction costs on the 400-room Hilton hotel. Officials broke ground on the project in December 2013. The project is estimated to create more than 1,500 construction and tourism jobs and contribute more than \$1 billion to Palm Beach County’s economy over the next 10 years. Under the deal, the County will retain ownership of the hotel and the property it sits on.
- **Ending homelessness:** The County continues to make significant strides in its 10-year plan to end homelessness. The County’s first Homeless Resource Center, the Senator Philip D. Lewis Center, opened in July 2012. The Center’s operating budget is comprised of \$5.9 million in County tax dollars for FY 2013, in addition to grant money and private donations.

About the Clerk & Comptroller

The Clerk & Comptroller, established in 1838 by the Florida Constitution as an independently elected officer, is charged with safeguarding public records and public funds. In addition to the roles of Clerk of the Circuit Court, County Recorder and Clerk of the Board of County Commissioners, the Clerk has the following responsibilities as County Comptroller:

Chief Financial Officer - Monitor the County budget, revenue, debt and spending; pay County bills; maintain financial records and produce required financial statements and reports.

Treasurer - Manage the County investment portfolio to earn interest income on taxpayer funds.

Inspector General/Auditor - Conduct independent risk-based and financial audits, including the audit of all County expenditures. Accountability is ensured through regular, independent audits conducted by 11 different state, local and judicial entities.

The Clerk's Division of Inspector General, comprised of its Audit and Public Integrity units, identified more than \$307,000 in potential revenue recoveries and cost avoidance in FY 2013, including more than \$250,000 in gas tax money owed to Palm Beach County. The Clerk's Guardianship Fraud investigators also discovered more than \$1.7 million in unsubstantiated expenditures and missing assets in Palm Beach County court-appointed guardianships. To learn more about the Clerk's Division of Inspector General, visit www.mypalmbeachclerk.com/inspectorgeneral.aspx.

The Clerk's Finance division continues to seek new ways to save taxpayer money by increasing efficiencies and improving processes, as well as keeping a close watch on County spending. In FY 2013, the Payables division questioned more than \$3.2 million in County expenses and rejected nearly \$300,000. The office strives to set an example of fiscal responsibility, reducing its budget for the seventh consecutive year, resulting in an overall budget reduction of 33 percent since FY 2007. The Clerk's office also remitted more than \$5 million in unspent money to Palm Beach County in FY 2013.

As the County's Chief Financial Officer, one of the most important duties of the Clerk is providing clear, concise information about County revenue and spending. We are honored that all seven previous editions of *Checks & Balances: Your Guide to County Finances* earned the award for Outstanding Achievement in Popular Annual Financial Reporting.

The *Comprehensive Annual Financial Report* (CAFR), one of the supporting documents for this guide, has received the GFOA's *Certificate of Achievement for Excellence in Financial Reporting* for an impressive 24 consecutive years. The Clerk & Comptroller also received the GFOA's "Distinguished Budget Presentation Award" in FY 2013. It is the highest honor bestowed by the organization. You can find all of the Clerk's financial publications online at www.mypalmbeachclerk.com/countyfinances.

Additionally, as part of our commitment to financial transparency, visit us online to view audits conducted by the Clerk, audits of the office conducted by external entities, and "Clerks in the Sunshine," a section containing Clerk budget information and efficiency reports.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**Palm Beach County
Florida**

For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

A handwritten signature in black ink, appearing to read "Jeffrey R. Emen".

Executive Director/CEO

Your Community

Palm Beach County's Top Five Taxpayers for 2013³

1. Florida Power & Light Company.....	\$76,320,222.41
2. Town Center at Boca Raton Trust.....	\$7,142,931.02
3. BellSouth Telecommunications, Inc.	\$ 5,753,841.39
4. US Sugar Corporation.....	\$5,125,974.09
5. Gardens Venture LLC (PGA Mall).....	\$4,740,004.13

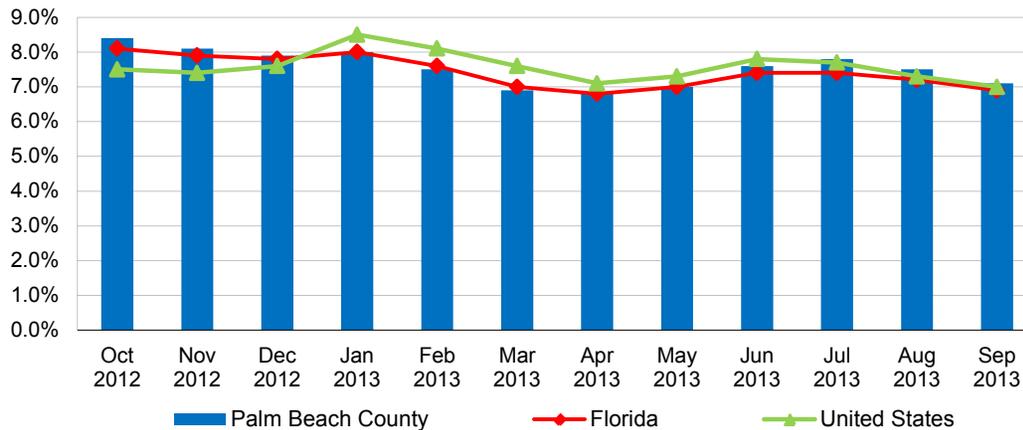
Palm Beach County grew in FY 2013 – both in its tax base and population. The County saw property values increase, with overall tax bills at \$3.03 billion in 2013 – a \$60 million increase from 2012¹. The County's population also grew, with approximately 1.35 million people calling Palm Beach County home in 2013². It is the fourth consecutive year of population growth for Palm Beach County, which remains the third most-populous in Florida.

¹Source: Constitutional Tax Collector of Palm Beach County

²Source: Bureau of Economic and Business Research, University of Florida

³Source: Constitutional Tax Collector of Palm Beach County

Unemployment Rates FY 2013⁶



The number of jobs also grew in Palm Beach County during 2013, with employers adding approximately 13,200 nonagricultural jobs in the West Palm Beach Metropolitan Statistical Area⁴, a 2.5 percent increase from the previous year. The sectors adding jobs included Trade, Transportation and Utilities, Retail Trade and Education and Health Services. As companies added jobs in Palm Beach County, the County's unemployment rate dropped by 15.5 percent⁵ from 2012 to 2013. This rate, which measures the percentage of the workforce that is unemployed and looking for paid employment, fluctuated between a low of 6.8 percent in April 2013 and a high of 8.4 percent in October 2012.

⁴Source: Florida Department of Economic Opportunity

⁵Source: Labor Market Statistics, Local Area Unemployment Statistics. Rates not seasonally adjusted.

⁶Source: Labor Market Statistics, Local Area Unemployment Statistics. Rates not seasonally adjusted.

Palm Beach County's Principal Employers as of September 30, 2013⁷

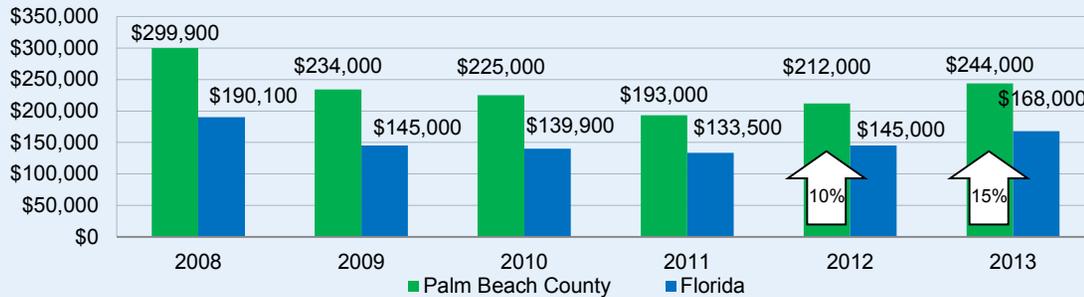
1. Tenet Healthcare.....	6,100
2. NextEra Energy.....	3,804
3. G4S.....	3,000
4. Hospital Corp. of America.....	2,714
5. Bethesda Memorial Hospital.....	2,643

Palm Beach County's growth is changing the makeup of its main industries. While agriculture and tourism are still important parts of the County's economy, the biggest industries in 2013 include health care, energy and security. Of the companies represented in Palm Beach County's top five private employers, two – G4S (Wackenhut Corp.) and Bethesda Memorial Hospital – were not among the County's largest businesses a decade ago.

⁷Business Development Board of Palm Beach County

Your Community

Single-Family Homes Median Sales Price Comparison⁹

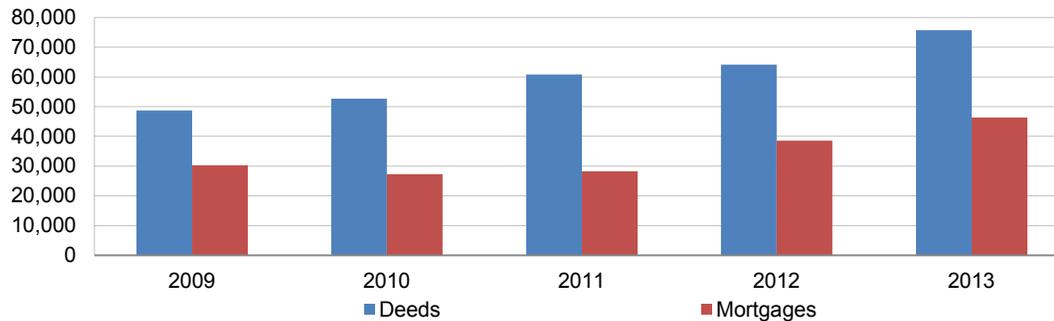


Palm Beach County's real estate market continued the turnaround that began in 2012, with numbers improving from the previous year for both median sales price and closed sales. The median sales price for a single-family home rose to \$244,000 in 2013, a 15 percent increase from the median sales price of \$212,000 for a single-family home in 2012. There were 15,604 sales closed⁸ on single-family homes in Palm Beach County, a 14.2 percent increase from 13,668 closings in 2012.

⁸Source: Realtor Association of the Palm Beaches. Figures are for calendar year.

⁹Source: Florida Realtors. Figures are for calendar year.

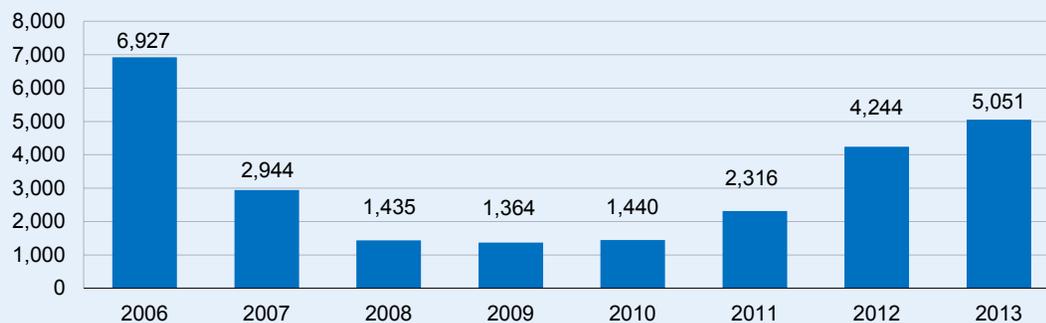
Mortgages and Deeds Recorded 2009-2013¹⁰



Another important metric for measuring the health of Palm Beach County real estate is the number of mortgages and deeds recorded in Palm Beach County, as well as the number of new foreclosure lawsuits filed with the Clerk & Comptroller. Mortgages and deeds recorded by the Clerk & Comptroller were at their highest level in five years, with 75,661 deeds and 46,384 mortgages recorded in 2013. Another positive sign for the County: new foreclosure cases filed in Palm Beach County decreased to their lowest level since 2006, with 9,857 cases filed in 2013, compared with 15,419 new foreclosures filed in 2012.

¹⁰Source: Clerk & Comptroller, Palm Beach County. Figures are for calendar year.

Residential Building Permits Issued 2006-2013¹¹

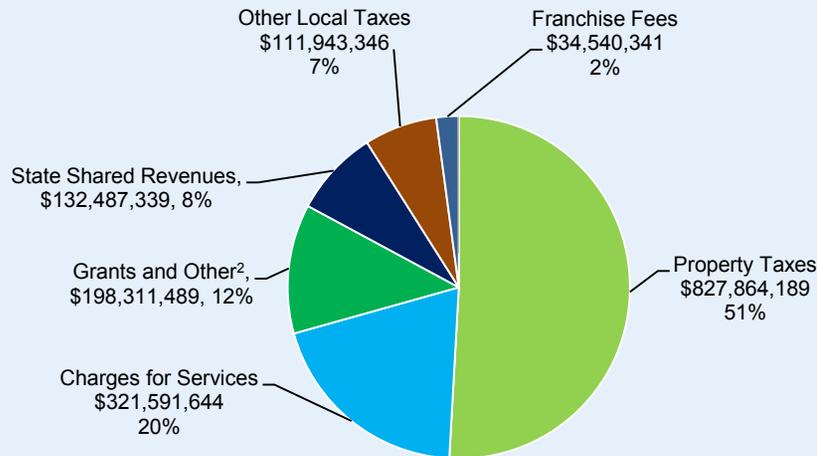


As more homes sold and prices rose, more homeowners sought building permits to make improvements to their property. There were 5,051 permits issued for single-family and multi-family units in 2013, a 19 percent increase from 4,244 permits in 2012. This is the fourth consecutive year that requests for building permits have increased, and the highest number of permits issued since 2006.

¹¹Source: Palm Beach County Planning, Zoning and Building Department

County Government Revenue

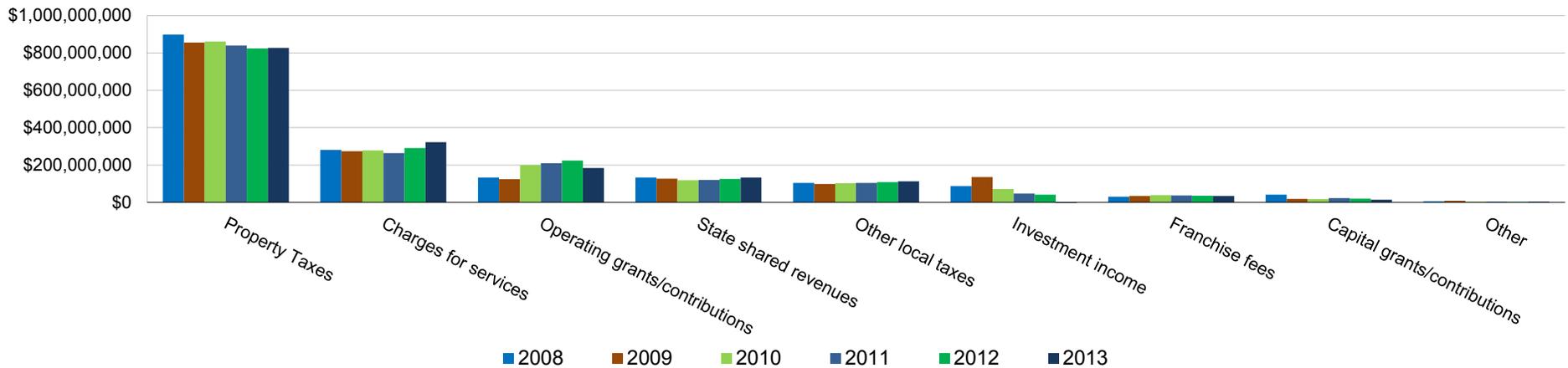
FY 2013 Governmental Activities Revenues¹ Total \$1,626,738,348



The money that funds County government and services for residents comes from many sources, with the majority from your property taxes. The County saw a 0.5 percent increase in property tax revenue in FY 2013, the first time since FY 2010 that the County's tax base grew. Despite improvement in FY 2013, the County's property tax revenue is down 7.9 percent from FY 2008 (see *Property Tax Revenues*, page 9).

The County's other revenue sources rebounded in FY 2013 as well. Local taxes, which include utility taxes, local option gas taxes and Tourist Development taxes, increased 3.6 percent; state shared revenues, mainly consisting of sales taxes, increased 5.8 percent; collections for county services such as building permits and golf course fees increased 10.5 percent; and other revenues, including rents and royalties, increased 35.5 percent.

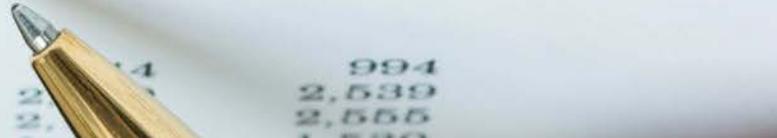
Trends in Governmental Activities Revenues FY 2008-FY 2013



¹Governmental activities represent those that are supported primarily by taxes and intergovernmental revenues. They exclude the business-type activities of the County, such as the Department of Airports and Water Utilities Department, which are intended to recover all or most of their costs through user fees and charges.

²Grants by definition are primarily contributions of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from state and federal governments. Grants are usually made for specified purposes.

ent Liabilities:
t-term debt
units payable



Property Taxes

The Board of County Commissioners and other taxing entities each set a property tax rate, called a “millage rate,” which is used to calculate your overall property taxes. A “mill” is equal to \$1 of tax for every \$1,000 of assessed property value. The Property Appraiser assesses property values in January, which is the first step to determining how much property owners pay in taxes each year.

If you wonder what happens to your money after you pay your tax bill each year, here is a look at the “life cycle” of a tax dollar:

FIRST STOP: TAX COLLECTOR

The Tax Collector mails property tax bills to all property owners in Palm Beach County. Payment of your taxes – either by writing a check or through an escrow account with your mortgage company – is then paid directly to the Tax Collector. Payments can be made from November through March, with property owners receiving larger discounts on their overall tax bill for paying earlier. Taxes are considered delinquent on April 1.

NEXT STOP: LOCAL GOVERNMENTS AND SPECIAL TAXING DISTRICTS

Once the Tax Collector receives payment, the money must then be divided up and sent to each local government or special taxing district. For example, if you live within a city's limits, part of your tax money goes to the city, Palm Beach County and the Palm Beach County School Board. Additionally, special taxing districts such as the Palm Beach County Health Care District and the Children's Services Council receive a portion of your tax money. Palm Beach County receives about one-third of your property taxes to fund its operations.

FINAL STOP: CLERK & COMPTROLLER, PALM BEACH COUNTY

While property taxes are distributed directly to other local governments, special taxing districts and the School Board, Palm Beach County's money is sent directly to the Clerk & Comptroller. As the County's Chief Financial Officer, Auditor and Treasurer, the Clerk accounts for all County revenues, including property taxes, and invests this money until it is needed to pay bills. The Clerk & Comptroller also audits and pays all of the County's bills, so long as the request for payment is for a public purpose, is legal, meets the County's purchasing guidelines, and if there is sufficient funding available to make the payment.

HOW YOUR TAXES ARE CALCULATED

$$[\text{Assessed Value of Property minus Exemption(s)}] \div 1,000 \times \text{Total Millage Rate} = \text{Total Property Tax}$$

IMPORTANT DATES

JANUARY: Property values assessed by Property Appraiser to determine property's taxable value

JULY: Board of County Commissioners and other taxing entities set millage rates

AUGUST: Property Appraiser mails a notice of proposed taxes, or Truth in Millage (TRIM) notice

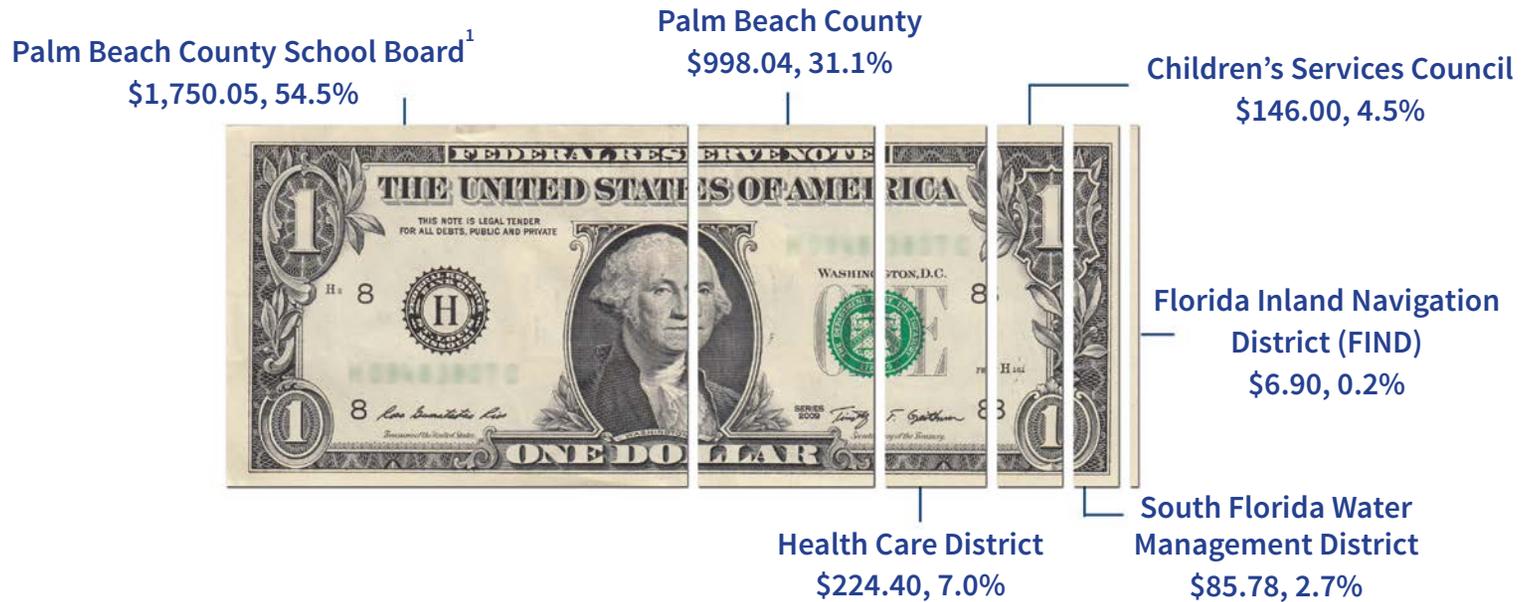
NOVEMBER: Tax Collector mails tax bills to property owners and begins collecting payments



Property Taxes

If you own property in Palm Beach County, the tax bill you pay each year funds much more than County government. Other agencies – including the Palm Beach County School Board, Children's Services Council and the Health Care District – each establish a millage rate, which is reflected in your annual tax bill. Depending on where you live, you may also pay taxes to a municipality and to special taxing districts such as the South Florida Water Management District or Florida Inland Navigation District. This illustration shows how your tax dollar is divided.

Breakdown of Your Property Tax Bill Countywide Portion Assessed Value of \$250,000 Total Taxes: \$3,211.17



Note: Figures shown in the example do not include municipalities, unincorporated areas or any applicable special districts within. Figures shown are also net of applicable exemption amounts.

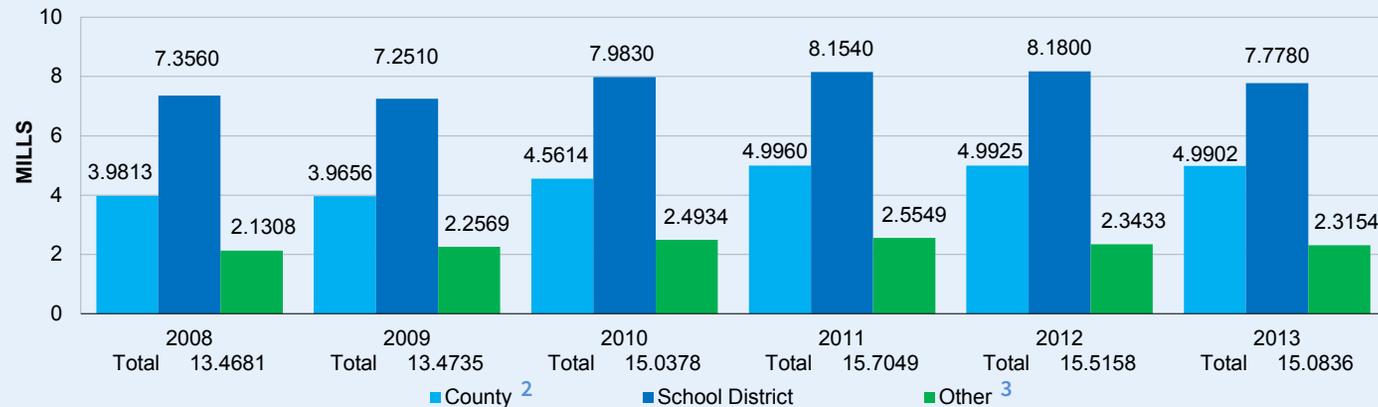
¹The Palm Beach County School Board operating millage rate is set by the Florida Legislature.

Property Taxes

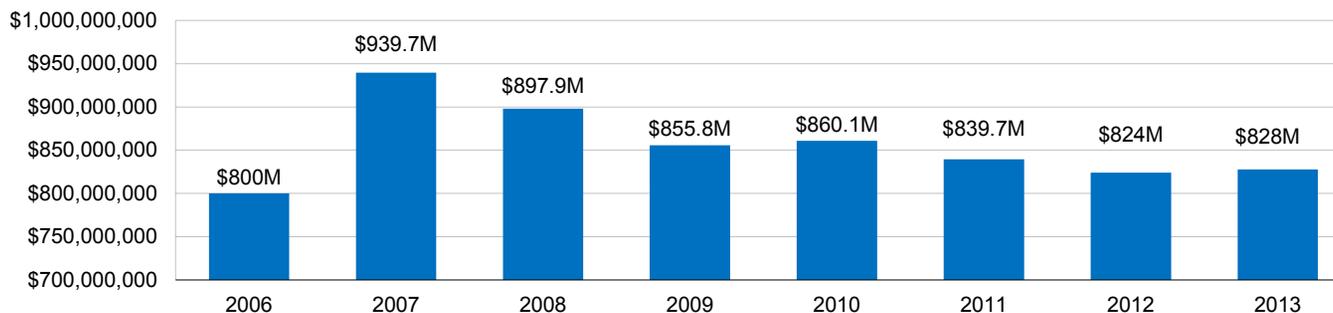
With the improvement in real estate prices and sales boosting property values, the Board of County Commissioners received good news in FY 2013 – for the first time in several years, revenues from property taxes were up, which allowed commissioners to hold the line on the County's millage rate. Commissioners set the operating millage for FY 2013 at 4.7815, which is the same millage rate as FY 2012. The approved operating millage rate was 0.28 percent higher than the "rollback rate" of 4.7682. The rollback rate is the millage rate that, excluding any new construction that would add value to the County's tax base in FY 2013, will provide the same amount of property tax revenue as the prior year.

As a result of the increase in taxable property value, the County's property tax revenues were up slightly – approximately \$4 million, or 0.5 percent. As shown in the **Property Tax Revenues: FY 2006-FY 2013**, property tax revenues were \$828 million in FY 2013, compared with \$824 million in FY 2012.

Property Tax Millage Rates FY 2008-FY 2013



Property Tax Revenues FY 2006-FY 2013



How do rising property values affect my property taxes?

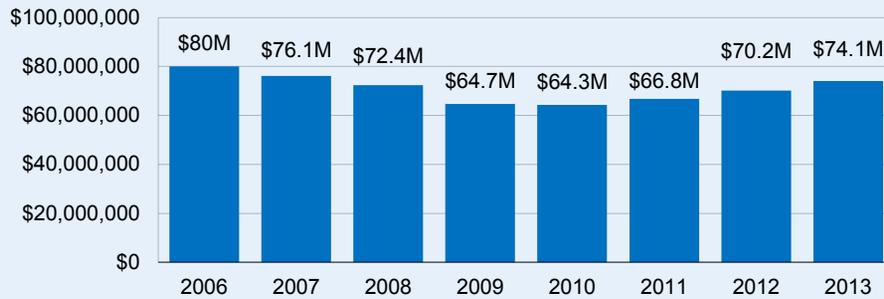
When property values increase, that doesn't mean all property owners will receive a huge tax bill in return. That's because, under Florida law, the taxable value of a homesteaded property cannot increase by more than 3 percent or by the percent change of the Consumer Price Index, whichever is less. If you sell your home, the state's "portability" laws also allow you to transfer up to \$500,000 of your property's homesteaded value to your new property anywhere in Florida.

²Includes countywide operating millage as well as the millage rate for voter-approved debt.

³Other includes the South Florida Water Management District, Children's Services Council, Florida Inland Navigation District, Everglades Construction Project and the Palm Beach County Health Care District.

User Fees

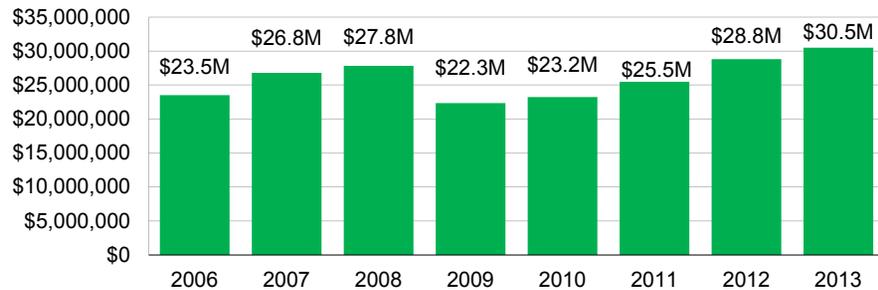
Sales Tax Revenue FY 2006-FY 2013¹



In addition to property taxes, County government receives income from other user fees and taxes, such as the sales tax you pay when you buy items such as clothing, appliances or cars. With Florida's consumer confidence showing improvement throughout 2013, Palm Beach County's sales tax collections also improved, increasing by 5.5 percent from FY 2012 to FY 2013. It is the fourth consecutive year that sales tax collections have increased, though the County's sales tax collections are down 7.5 percent since FY 2006.

¹Source: FY 2013 CAFR

Tourist Development Tax FY 2006-FY 2013²

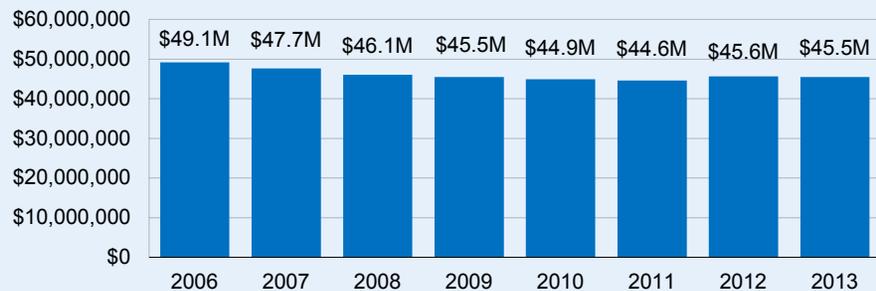


A rebounding economy boosted Palm Beach County tourism and helped the County set a record in FY 2013 Tourist Development Tax receipts. These "bed taxes" are collected from hotels, motels and other properties rented to out-of-town visitors and used for tourism-related expenses, including debt payments on the Palm Beach County Convention Center and Roger Dean Stadium, as well as the promotion of tourism, culture, film and sporting events. The County collected \$30.5 million in Tourist Development Taxes in FY 2013, a 5.9 percent increase from FY 2012. Air travel was up at the County's airport, Palm Beach International Airport, but only slightly. Approximately 5.7 million passengers traveled through PBIA in 2013, up 1.5 percent from 5.6 million in 2012³.

²Source: FY 2013 CAFR

³Source: Palm Beach International Airport

Local Option Gas Tax Revenue FY 2006-FY 2013⁵



With gas prices decreasing in Palm Beach County, the collection of Local Option Gas Taxes – the money paid by motorists when they buy gas – decreased as well. The County collected \$45.5 million in gas taxes in FY 2013, down 0.3 percent from \$45.6 million in FY 2012. Overall collections are down 7.4 percent since FY 2006. Despite lower prices at the pump, ridership on the County's bus system increased. Palm Tran set records for the fifth consecutive year in FY 2013, with more than 12 million passenger trips – a 4 percent increase from FY 2012⁴.

⁴Source: Palm Tran

⁵Source: FY 2013 CAFR

Budget at a Glance

Palm Beach County's total adopted budget, which is the financial plan for funding all County operations, totaled \$3.884 billion in FY 2013. The County's overall budget decreased by 1 percent compared with FY 2012. Accordingly, many County department budgets decreased compared with the previous fiscal year (see *Select Operating Budgets*, page 12).

After three consecutive years of increases, the Board of County Commissioners was able to keep the County's operating millage rate the same as FY 2012, thanks to improving taxable property values. The millage rate is the rate used to calculate your property tax (see *Property Taxes*, pages 7-9). Additionally, for the second year in a row, commissioners increased the County's reserves by approximately \$4 million in FY 2013, or 0.5 percent from FY 2012 (see *Reserves*, page 15).

BUDGET BASICS

- By law, Palm Beach County government must create and approve a balanced budget that gives the County the legal authority to spend money on operations, services and projects.
- The proposed budget is reviewed and revised by the Board of County Commissioners prior to July 15 each year.

TAKE PART IN THE BUDGET PROCESS

- A series of budget workshops and two public hearings are held before the budget is finalized and adopted at the start of the fiscal year on October 1. For the dates of these meetings, please visit www.pbcgov.com.

FUND TYPES

General Fund: Primary operating fund that pays for government operations.

Special Revenue Funds: Contain money from sources such as library fees, grants and Tourist Development taxes. This money may only be used for specifically designated purposes.

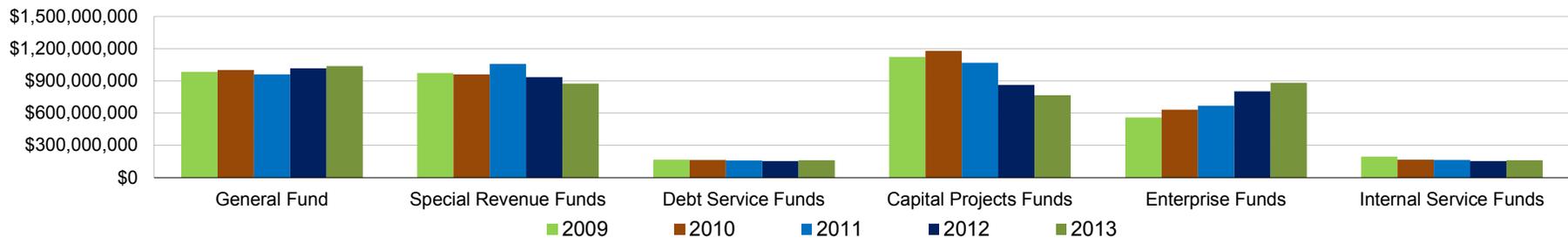
Debt Service Funds: Designated to pay principal and interest on the County's long-term debt.

Capital Projects Funds: Include money for major projects, such as roads, parks and libraries.

Enterprise Funds: Contain user fees from revenue-producing County operations.

Internal Service Funds: Include money paid by County departments and constitutional officers to receive goods and services from other County departments.

Budget by Fund Type FY 2009-FY 2013



Select Operating Budgets

Palm Beach County, Florida Comparison of Select Operating Budgets Funded by Tax Dollars¹

County Department	FY 2012 Budget	FY 2013 Budget	Percent Change	Average Cost Per Taxpayer ³
Parks and Recreation	\$44,531,238	\$45,794,143	2.8%	\$72.83
Facilities Development and Operations	\$33,665,914	\$33,144,133	-1.5%	\$52.71
Community Services	\$18,976,388	\$22,428,021	18.2%	\$35.67
Public Safety	\$17,573,641	\$17,257,162	-1.8%	\$27.45
Engineering and Public Works	\$10,919,944	\$15,124,343	38.5%	\$24.05
Environmental Resource Management	\$8,249,947	\$8,812,006	6.8%	\$14.02
Planning, Zoning and Building	\$10,384,750	\$8,568,234	-17.5%	\$13.63
County Attorney	\$3,880,134	\$3,179,938	-18.0%	\$5.06
County Commission	\$2,762,360	\$2,760,147	-0.1%	\$4.39
County Administration	\$1,426,287	\$1,393,843	-2.3%	\$2.22
Risk Management	\$367,789	\$370,061	0.6%	\$0.59
Metropolitan Planning Organization	\$56,500	\$115,606	104.6%	\$0.18
Dependent Districts				
Fire Rescue	\$198,690,096	\$200,748,303	1.0%	\$319.28
County Library	\$37,048,595	\$37,417,132	1.0%	\$59.51
Constitutional Officers²				
Sheriff	\$398,828,191	\$407,399,805	2.1%	\$647.95
Property Appraiser	\$16,277,210	\$16,750,000	2.9%	\$26.64
Supervisor of Elections	\$12,012,340	\$10,110,000	-15.8%	\$16.08
Clerk & Comptroller	\$11,570,761	\$11,460,081	-1.0%	\$18.23
Tax Collector	\$3,326,378	\$5,366,000	61.3%	\$8.53

Source: Palm Beach County Annual Budget FY 2013

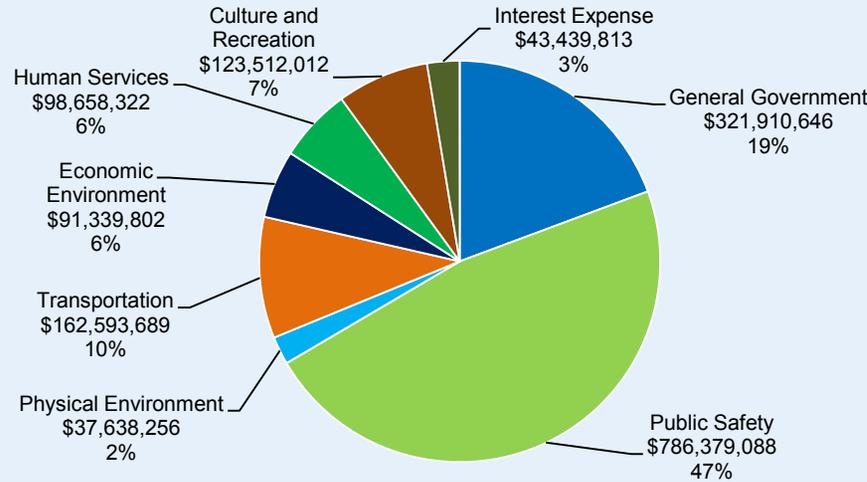
¹Budget amounts reflect only the County taxpayer funded portion of the budget and do not include other revenue sources, such as grants and user fees.

²Represents portion of budget funded by the Board of County Commissioners.

³Calculated for FY 2013; "Taxpayer" represents a taxable parcel, of which there were 628,754 as of September 30, 2013. Actual cost dependent upon valuation of parcel.

Where Your Money Goes

FY 2013 Governmental Activities Expenses Total \$1,665,471,628

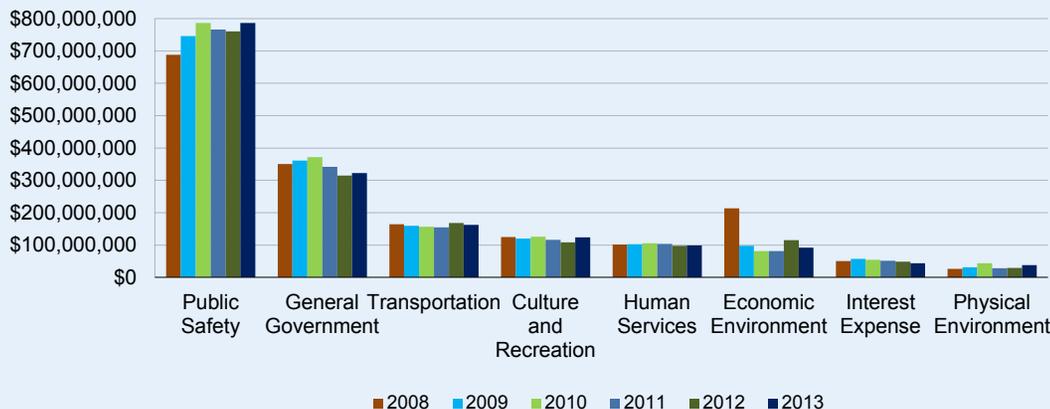


The cost of running County government increased by approximately \$24.7 million – or 1.5 percent – in FY 2013, the first year since FY 2010 that expenses have increased. While overall spending increased for most categories in FY 2013, there also were some decreases.

The changes, shown in the Trends in Governmental Activities Expenses FY 2008-FY 2013 chart, include:

- Physical environment:** Increased \$8.4 million, or 28.9 percent, from FY 2012, due to a significant increase from the prior year in capital projects related to environmental lands, including the design and construction of beach improvements such as beach renourishment and dune replacement.
- Culture and Recreation:** Increased \$15.7 million, or 14.6 percent, from FY 2012, due to the increased importance of the Parks and Recreation department in helping the County's economic sustainability through destination tourism, sporting and cultural events, as well as contributing to increased property values. The increase was also due to additional spending related to the County's library system.
- Economic Environment:** Decreased approximately \$23.5 million, or 20.5 percent, from FY 2012, due to declining appropriations for federal grant programs including Community Development Block Grants (12 percent reduction from FY 2012) and HOME Investment Partnerships Program (36 percent decrease from FY 2012).

Trends in Governmental Activities Expenses FY 2008-FY 2013



Palm Beach County and its independently elected constitutional officers provide a full range of services, including law enforcement, fire protection, conservation and resource management, public improvements, human services, parks, recreation and cultural facilities, planning and zoning, transportation, economic development, property assessment, tax collection, financial reporting, investment management, official recordkeeping and court-related support functions. The County also operates two enterprise activities: the Department of Airports and the Water Utilities Department.

Capital Assets

The County's capital assets for its governmental and business-type activities as of September 30, 2013, amounted to \$3.865 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, improvements other than buildings, equipment, infrastructure and construction in progress. The total increase in the County's capital assets for FY 2013 was approximately 2 percent, or \$77 million, all of which was attributable to business-type activities, including the acquisition of the Glades Utility Authority.

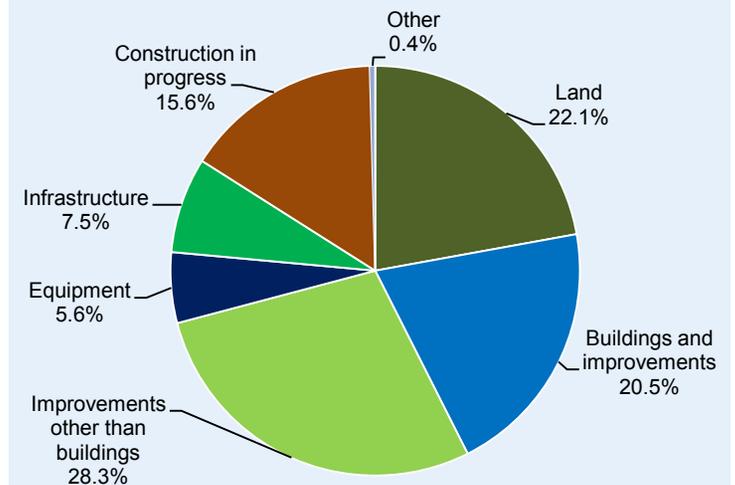
MAJOR EVENTS INVOLVING CAPITAL ASSETS DURING FY 2013 INCLUDE:

- Substantially completed projects during FY 2013 included \$2.9 million for the construction of a replacement fire-rescue station in Pahokee. The County also spent \$3.6 million on construction, renovation and replacement projects at the Belle Glade Branch Library and Civic Center. There was also \$870,000 in roadway improvements made at 10th Avenue North over the Keller Canal.
- Net capital assets for business-type activities increased overall by \$77 million to \$1.337 billion, primarily because of the Water Utilities Department's absorption of the Glades Utility Authority (GUA).
- The Department of Airports spent \$17.1 million on capital activities. Major projects completed in FY 2013 included airfield, parking garage and terminal improvements.

Capital Assets, Net Of Accumulated Depreciation At Year-End

	Governmental Activities		Business-type Activities		TOTAL PRIMARY GOVERNMENT	
	2013	2012	2013	2012	2013	2012
Primary Government:						
Land	\$740M	\$740M	\$116M	\$115M	\$856M	\$855M
Buildings and improvements	\$549M	\$561M	\$239M	\$238M	\$788M	\$799M
Improvements other than buildings	\$192M	\$167M	\$903M	\$819M	\$1,095M	\$986M
Equipment	\$191M	\$197M	\$25M	\$26M	\$216M	\$223M
Infrastructure	\$291M	\$303M	-	-	\$291M	\$303M
Intangible - easement rights	-	-	\$11M	\$12M	\$11M	\$12M
Leasehold interest	-	-	-	\$4M	-	\$4M
Goodwill	-	-	\$5M	\$6M	\$5M	\$6M
Construction in progress	\$565M	\$560M	\$38M	\$40M	\$603M	\$600M
TOTALS	\$2,528M	\$2,528M	\$1,337M	\$1,260M	\$3,865M	\$3,788M

Capital Assets, Net Total Primary Government September 30, 2013



Reserves

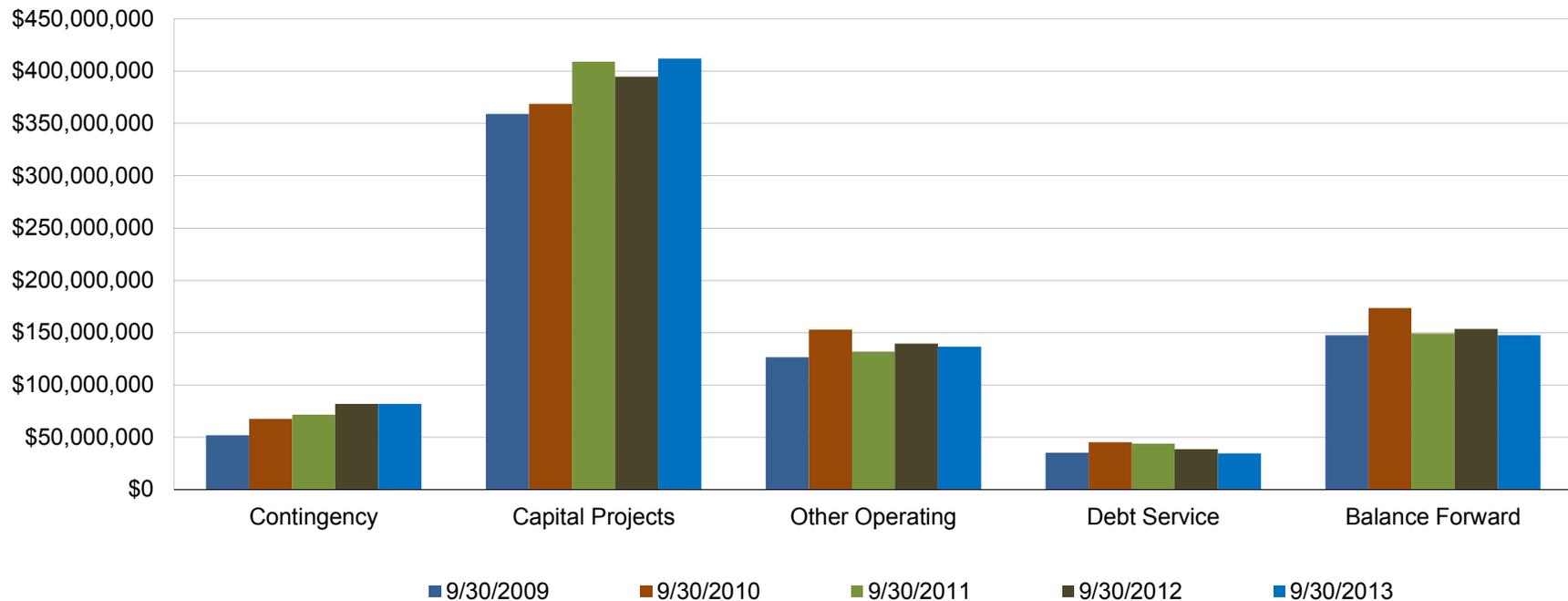
Reserves are funds that are set aside, or “reserved,” to pay for future planned and unanticipated expenses. For the second straight year, the County saw a small increase in its reserves in FY 2013 – approximately \$4 million, or 0.5 percent, compared with FY 2012.

Capital Projects Reserves: While developing the budget, County managers review and evaluate current and future projects and the funding required for them. The Board of County Commissioners may approve money to be reserved during the fiscal year to pay for these projects. During FY 2013, the County’s Capital Projects reserves increased by \$17.4 million, or 4.4 percent.

Other Reserves: County leaders also budget money in reserves for cash carried over from previous years, contingencies, specific operations and debt payments. During FY 2013, the County’s reserve balances for these other reserve categories decreased by \$3.2 million, or approximately 1.5 percent.

TOTAL RESERVES AS OF SEPTEMBER 30, 2013 = \$812,736,614

Reserve Analysis Fiscal Year Ends 2009-2013



Investments

Your County government pays bills throughout the year, just as you do. However, the County receives the majority of its income in December and January, when most property owners pay their annual tax bills. As Treasurer and custodian of County funds, the Clerk & Comptroller is responsible for investing your tax dollars until that money is needed to pay County expenses.

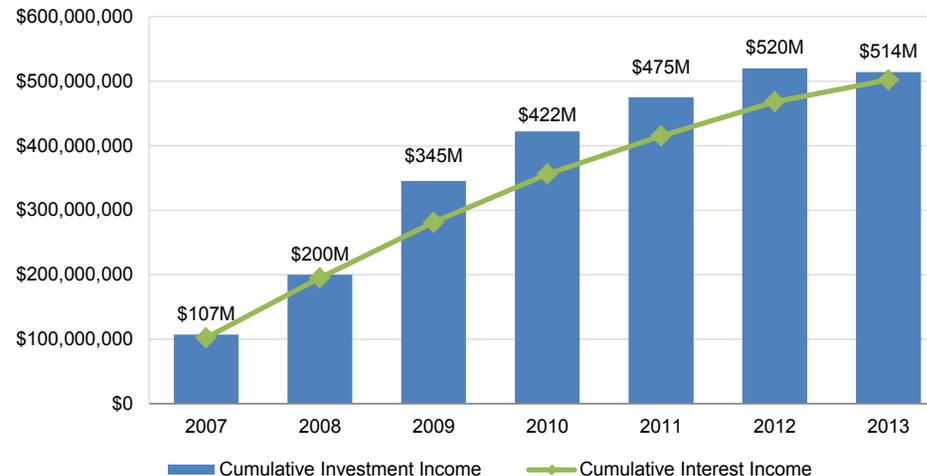
The Clerk & Comptroller's investment objectives, in order of priority, are: safety of taxpayer dollars; sufficient liquidity to meet County financial obligations; and earning the maximum achievable investment income, given prudent safety and liquidity objectives. Therefore, the County's investment policy statement limits the portfolio to high quality fixed-income securities and cash equivalents. The stock market is not an option.

The gradual decline in interest income over the past several years has been driven by a combination of economic and monetary policy factors that have kept interest rates at historic lows. This low interest rate environment also greatly affects the return that you, the taxpayers, are able to earn on your own savings, retirement and investment accounts. While lower rates benefit the County on the return it must pay for its bond obligations, they limit the amount of investment income earned by the County's portfolio. However, the County's investment portfolio has generated significant income, as shown in the chart below.

The Clerk & Comptroller's professional investment team actively manages the County's investment portfolio and monitors the financial markets daily to ensure the portfolio structure and strategy takes advantage of opportunities to increase yield, while never losing sight of our top priorities, which are the safety and liquidity of taxpayer dollars. Strict investment policy guidelines define the investment criteria and also are monitored regularly through a rigorous internal control process. Our active management strategy has resulted in \$514 million in investment income over the last seven years.

INVESTMENT INCOME = INTEREST INCOME + CHANGES IN MARKET VALUE

Cumulative Investment Income
By Fiscal Year



Investments

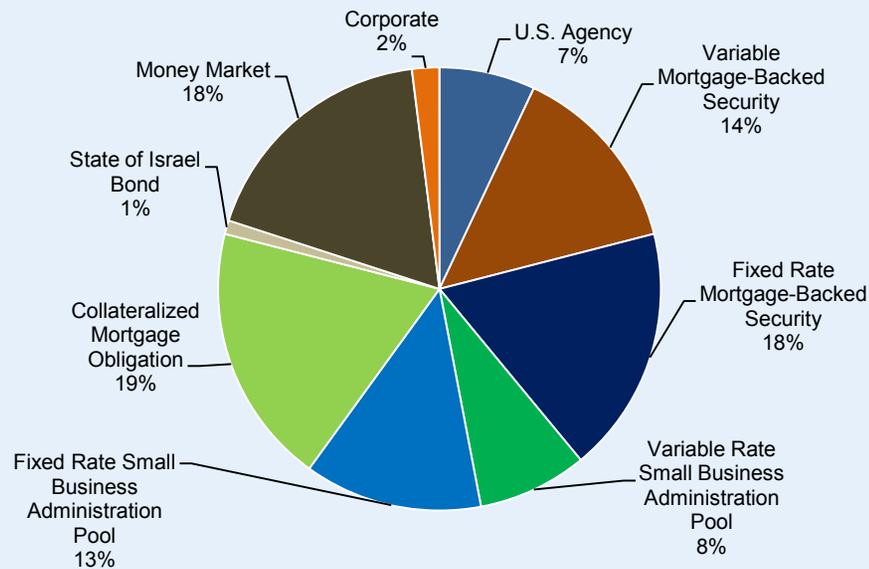
In response to the historically low interest rate environment described on page 16, the Clerk & Comptroller's investment team restructured the portfolio to minimize volatility and preserve principal. While the current rate environment limits the yield available to be earned, the restructuring achieved the anticipated benefits of less interest rate risk, preservation of capital and a predictable interest income stream. The charts below illustrate portfolio asset allocation before and after the restructuring.

During FY 2013, the Clerk-managed portfolio earned \$34.4 million in interest income on a portfolio that averaged \$1.4 billion in size. A County investment policy provides guidelines related to risk management, reporting and investment requirements. For more investment information, including a monthly portfolio report, please visit www.mypalmbeachclerk.com/investments.

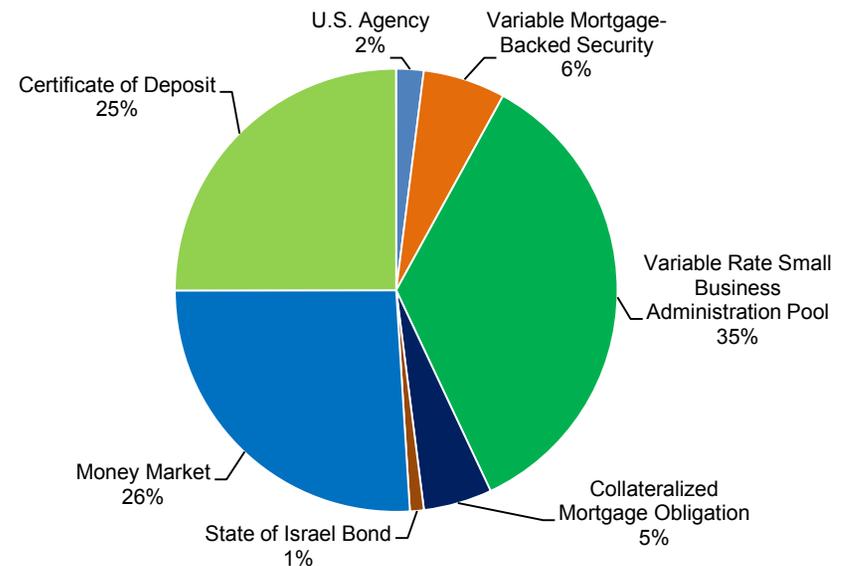
For the fifth consecutive year, the Centre for Fiduciary Excellence certified the Clerk & Comptroller's investment management and record keeping, the County's investment policy and Investment Policy Committee as adhering to a global standard of fiduciary excellence for investment stewards.

This certification confirms and demonstrates the Clerk & Comptroller's commitment to continuous improvement and excellence in the management of public tax dollars.

Portfolio Allocation as of September 30, 2012



Portfolio Allocation as of September 30, 2013



Debt

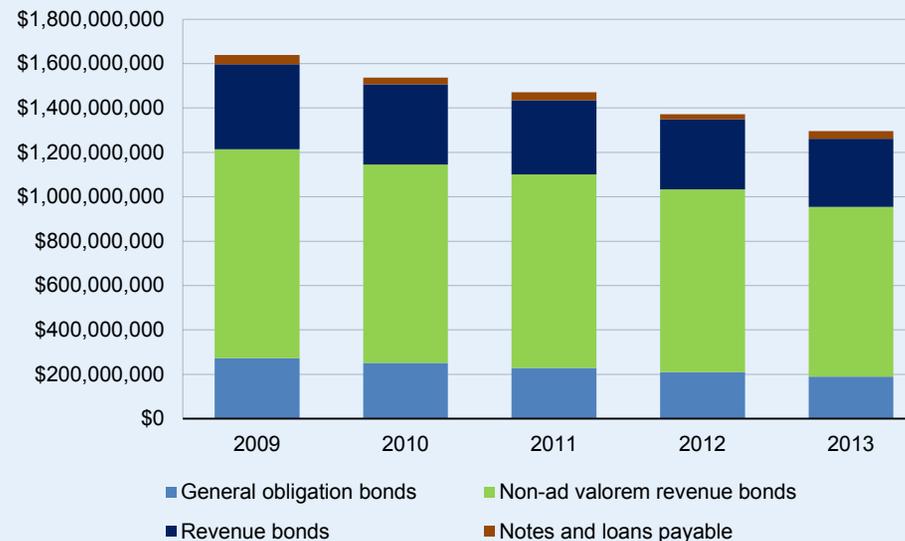
Palm Beach County borrows money to fund projects or purchases, much like you might take out a mortgage to buy a home or a loan to buy a car. A majority of the County's debt is in the form of bonds. These bonds are sold, or "issued," allowing the County to spread repayment over a long period of time, sharing the cost with current and future taxpayers. Investors, called bondholders, purchase the bonds and become the County's lenders who must be paid back. The County's AAA bond rating, the highest possible rating, allows it to borrow money at lower interest rates, which result in lower costs that save taxpayer money. As of September 30, 2013, the County's outstanding debt was approximately \$1.30 billion, a 5.5 percent decrease from FY 2012.

For more information on County debt, including how it is managed and its effect on the County's financial health, please read our Annual Debt Guide at www.mypalmbeachclerk.com/debt.

Examples of Outstanding Debt

Project	Original Amount	Balance as of 9/30/13
Criminal Justice projects	\$520.8M	\$224.1M
Biomedical Research Park projects	\$310.3M	\$209.8M
Environmentally sensitive lands	\$173.1M	\$83.6M
Convention Center	\$91.7M	\$78.1M
Parks & Recreation facilities	\$82.4M	\$48.6M

Debt Outstanding FY 2009-FY 2013



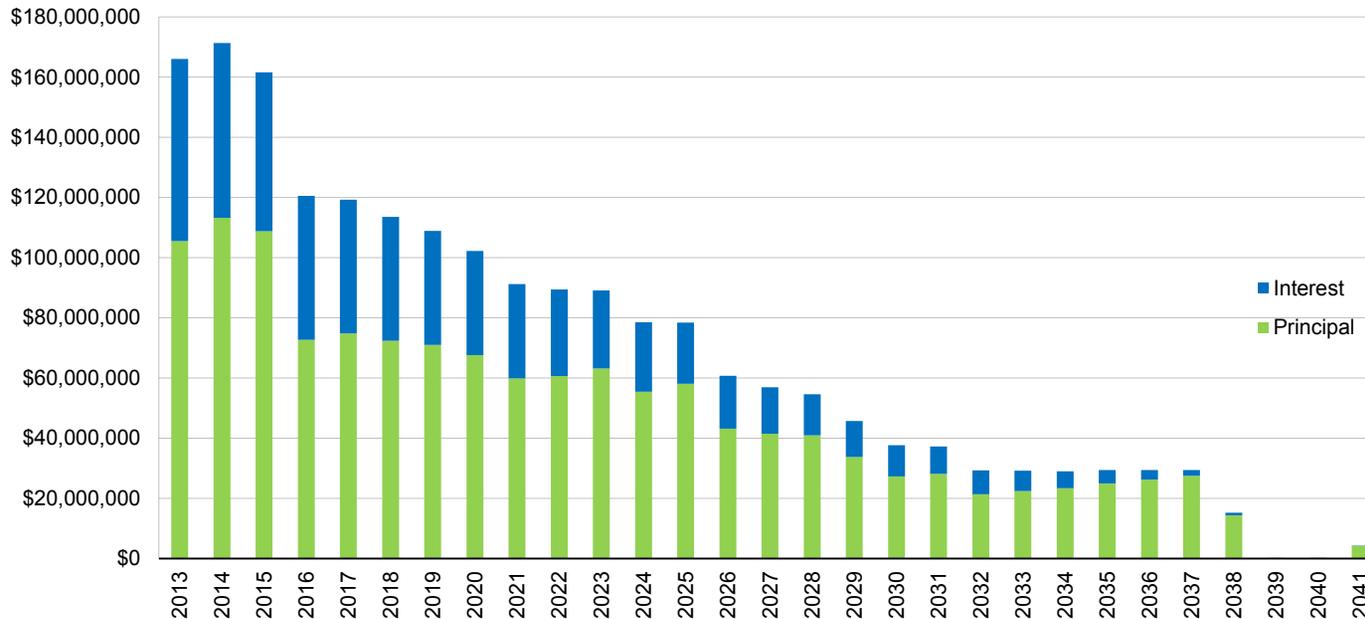
Debt

Decisions made decades ago to issue debt can have a profound impact on the County’s current and future financial picture. In FY 2013, the principal and interest payments on countywide debt totaled approximately \$166 million. As shown in the **Debt Service Payments FY 2013-FY 2041** chart below, the next highest payment will come in FY 2014, with scheduled payments totaling \$171 million, barring the issuance of any new debt.

Just as a homeowner keeps a watchful eye for changes in mortgage rates, governments do as well. By refinancing an existing mortgage to take advantage of lower interest rates, a homeowner can reduce the monthly payments and/or total interest paid over the life of the home mortgage. Governments may also take advantage of interest rate reductions by issuing new debt to refinance existing debt. This type of transaction is referred to as a refunding. Governments may also use refundings to escape onerous debt covenants or change the maturity of the debt.

In FY 2013, the County partially refunded a Water Utilities debt issue, thereby replacing approximately \$76.3 million of old debt with \$72.4 million of new debt. This refunding decreased the County’s future principal and interest payments by approximately \$9.3 million over 21 years. Additionally, the County issued \$10 million in new bonded debt, absorbed \$20.2 million of Glades Utility Authority debt and also issued approximately \$3.4 million of new HUD Loans.

Debt Service Payments FY 2013-FY 2041 (If no new debt is added)



10% 50%

10% 20% 25%

What the County Owns and Owes

THE CONDENSED STATEMENT OF NET POSITION, or “balance sheet,” is a summary of everything the County owns (assets) and owes (liabilities). It also provides a snapshot of the County’s financial health at the end of each fiscal year. By the end of FY 2013, the County’s net assets had increased by nearly \$75 million from FY 2012. This increase in net assets can be attributed primarily to the revenue from the County’s business-type activities — specifically the Water Utilities Department — outpacing expenses in FY 2012.

NET POSITION AT A GLANCE

Net Position is the difference between assets and liabilities. It is comprised of three categories:

Net investment in capital assets: The difference between amount paid for capital assets, such as buildings, and any debt used to acquire those assets, such as loans or mortgages.

Restricted: Funds that are not available for use by the County because they must be used for a specific purpose or project as required by a law or regulation.

Unrestricted: The remaining balance available for use that is not invested in capital assets or restricted.

Condensed Statement of Net Position: September 30, 2013

	Governmental Activities	Business-Type Activities	Total 2013	Total 2012
Assets				
Current and other assets	\$1,301,939,841	\$456,496,521	\$1,758,436,362	\$1,806,792,815
Capital assets	\$2,527,754,006	\$1,336,728,280	\$3,864,482,286	\$3,787,959,765
Total assets	\$3,829,693,847	\$1,793,224,801	\$5,622,918,648	\$5,594,752,580
Liabilities				
Current	\$251,766,542	\$46,823,935	\$298,590,477	\$305,332,594
Long-term debt due in more than one year	\$1,239,583,831	\$301,541,791	\$1,541,125,622	\$1,580,605,676
Total liabilities	\$1,491,350,373	\$348,365,726	\$1,839,716,099	\$1,885,938,270
Net Position				
Net Investment in capital assets	\$1,665,496,482	\$1,044,481,295	\$2,709,977,777	\$2,575,790,393
Restricted	\$575,891,358	\$80,982,424	\$656,873,782	\$688,669,281
Unrestricted	\$96,955,634	\$319,395,356	\$416,350,990	\$444,354,636
Total net position	\$2,338,343,474	\$1,444,859,075	\$3,783,202,549	\$3,708,814,310

Elected Officials as of September 30, 2013

CONSTITUTIONAL OFFICERS

Clerk & Comptroller - Sharon R. Bock, Esq.
561.355.2996 | www.mypalmbeachclerk.com

Property Appraiser - Gary R. Nikolits, CFA
561.355.3230 | www.pbcgov.com/papa

Sheriff - Ric L. Bradshaw
561.688.3000 | www.pbso.org

Supervisor of Elections - Susan Bucher
561.656.6200 | www.pbcelections.org

Tax Collector - Anne M. Gannon
561.355.2264 | www.pbctax.com

BOARD OF COUNTY COMMISSIONERS WWW.PBCGOV.COM

District 1 - Hal Valeche
561.355.2201

District 2 - Paulette Burdick
561.355.2202

District 3 - Shelley Vana
561.355.2203

District 4 - Steven L. Abrams
561.355.2204

District 5 - Mary Lou Berger
561.355.2205

District 6 - Jess R. Santamaria
561.355.6300

District 7 - Priscilla A. Taylor
561.355.2207



Photos on the front and back covers, pages 2-5 and page 21 courtesy of Discover Palm Beach County.

*Front center left to right:
-Norton Museum of Art
-Boca Museum of Art*

*Back bottom left to right:
-Jupiter Lighthouse
-Morikami Museum and Japanese Gardens*



SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

www.mypalmbeachclerk.com

The independent Clerk & Comptroller serves a local population of nearly 1.4 million residents from several locations throughout Palm Beach County and online at www.mypalmbeachclerk.com

ONLINE SERVICES:

- County Financial Information
- Court & Official Records Searches
- Traffic Ticket Payments
- Online Foreclosure Auctions
- myMinutes
- myVAB
- Self Service Court Forms
- Guardianship Fraud Hotline
- Marriage License Information
- Passport Information & Photos
- Domestic Partnership Information

