

Palm Tran, Inc. Amalgamated Transit Union Local 1577 Pension Plan

Audit Results and Required Communications

Year Ended December 31, 2018

Board of Trustees Meeting—June 6, 2019



REQUIRED COMMUNICATIONS

We have audited the financial statements of the Palm Tran, Inc. – Amalgamated Transit Union Local 1577 Pension Plan (the “Plan”) as of and for the years ended December 31, 2018 and 2017.

As required by auditing standards generally accepted in the United States of America, we are providing you with the information shown in this presentation relative to our audit. Such information is intended for the use of management, the Board of Trustees and related committees and should not be used for any other information or purposes.

CHERRY BEKAERT LLP

REQUIRED COMMUNICATIONS

Communication

Our Responsibility Under GAAS

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered internal control over financial reporting of the Palm Tran, Inc. – Amalgamated Transit Union Local 1577 Pension Plan (the “Plan”). Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Plan’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Findings

Unmodified opinion expected to be expressed.

No material weaknesses identified and no significant deficiencies reported.

No reportable noncompliance.

REQUIRED COMMUNICATIONS

Communication

Use of Appropriate Accounting Policies

Communicate new accounting policies or change in application of old policies.

Findings

We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

REQUIRED COMMUNICATIONS

Communication

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated November 6, 2018.

Findings

No changes.

Management Judgments and Accounting Estimates

Inform about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Management is required to make certain estimates to prepare the financial statements. Significant estimates included the following:

- The fair value determinations for investments including commingled real estate funds, global infrastructure funds, and master limited partnership common trust funds, which are not readily marketable. We reviewed the methods used to develop fair value measurements and tested selected values for reasonableness.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement user.

The most sensitive disclosures affecting the financial statements were the investment disclosures in Note 3. Note 3 discloses the various risks associated with the investments held by the Plan.

REQUIRED COMMUNICATIONS

Communication

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Disagreements with Management

For purposes of this communication, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

Findings

There were no uncorrected adjustments. Adjustments made were entries to conform to financial statement classifications. None of the misstatements detected as a result of our audit procedures and corrected by management were material, either individually or in aggregate, to the financial statements taken as a whole.

We are pleased to report that no such disagreements arose during the course of our audit.

REQUIRED COMMUNICATIONS

Communication

Difficulties Encountered in Performing the Audit

Communicate any difficulties encountered.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Plan’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Management Representations

We will request certain representations from management that are included in the management representation letter to be dated upon acceptance and delivery of the financial statements.

Findings

We encountered no difficulties in dealing with management in performing and completing our audit.

To the best of our knowledge there were no such consultations.

Representations will be obtained prior to the release of the financial statements.

REQUIRED COMMUNICATIONS

Communication

Other Information in Documents Containing Audited Financial Statements

Our responsibility with respect to the supplementary information accompanying the financial statements is to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements.

Findings

We made certain inquiries of management and evaluated the form, content, and methods of preparing the information and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

FINANCIAL HIGHLIGHTS

Condensed Statements of Fiduciary Net Position

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ -	820,858
Receivables		
Interest and dividends	83,712	88,785
Pending trades receivable	500,979	38,564
Other receivables	-	190,510
Investments	<u>101,533,789</u>	<u>105,243,125</u>
Total assets	<u>102,118,480</u>	<u>106,381,842</u>
Liabilities		
Accounts payable	77,083	-
Pending trades payable	<u>706,769</u>	<u>69,000</u>
Total liabilities	<u>783,852</u>	<u>69,000</u>
Net position restricted for pension benefits	<u>\$ 101,334,628</u>	<u>\$ 106,312,842</u>

FINANCIAL HIGHLIGHTS

Condensed Statements of Changes in Fiduciary Net Position

	<u>2018</u>	<u>2017</u>
Additions		
Contributions		
Employer	\$ 5,509,648	\$ 5,421,844
Employee	923,986	912,362
Investment income (loss)		
Net appreciation (depreciation) FMV	(7,234,572)	10,360,744
Interest, dividends & other	3,317,935	2,634,852
Investment expenses	(497,730)	(405,525)
Net investment income (loss)	(4,414,367)	12,590,071
Total additions	<u>2,019,267</u>	<u>18,924,277</u>
Deductions		
Participant benefit payments	6,186,078	5,615,400
Refunds of participant contributions	439,250	282,629
Administrative expenses	372,153	213,695
Total deductions	<u>6,997,481</u>	<u>6,111,724</u>
Net increase (decrease)	(4,978,214)	12,812,553
Net position restricted for pension benefits		
Beginning of year	106,312,842	93,500,289
End of year	<u>\$ 101,334,628</u>	<u>\$ 106,312,842</u>

INVESTMENTS

	2018	2017
Investments		
Money market funds	\$ 3,664,305	\$ 2,730,405
U.S. Government obligations	7,020,369	7,256,818
Asset-backed securities	425,903	698,447
Corporate obligations	6,950,849	4,844,751
Convertible bonds	3,666,436	4,124,688
Fixed income mutual funds	16,147,411	16,471,345
International equity securities	864,188	5,339,767
Domestic equity securities	8,495,848	10,559,558
Equity mutual funds	38,524,995	39,900,233
Preferred equity securities	1,162,068	1,166,322
Global infrastructure fund	879,533	-
Commingled real estate funds	11,700,986	9,845,522
MLP common trust funds	2,030,898	2,305,269
Total investments	<u>\$ 101,533,789</u>	<u>\$ 105,243,125</u>

ADMINISTRATIVE AND INVESTMENT EXPENSES

	<u>2018</u>	<u>2017</u>
Administrative Expenses		
Accounting services	\$ 16,850	\$ 19,300
Actuarial services	69,750	45,450
Legal services	51,337	60,393
Administrative services	213,555	58,001
Liability insurance	12,597	19,327
Trustee expenses	5,854	5,824
Bank/ADR charges	285	4,034
Other administrative expenses	1,925	1,366
Total administrative expenses	<u>\$ 372,153</u>	<u>\$ 213,695</u>
Investment Expenses		
Investment management fees	\$ 387,788	\$ 322,013
Custodial fees	69,942	43,512
Performance monitoring fees	40,000	40,000
Total investment expenses	<u>\$ 497,730</u>	<u>\$ 405,525</u>

NET PENSION LIABILITY

FY Ending December 31,	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (b-a)	Plan Net Position as Percent of Total Pension Liability (b/a)	Covered Payroll (c)	Net pension Liability as a Percent of Covered Payroll ((b-a)/c)
2018	\$ 133,537,811	\$ 101,334,628	\$ 32,203,183	75.9%	\$ 30,674,568	105.0%
2017	\$ 124,734,728	\$ 106,312,842	\$ 18,421,886	85.2%	\$ 30,402,375	60.6%
2016	\$ 120,333,112	\$ 93,500,289	\$ 26,832,823	77.7%	\$ 30,061,310	89.3%
2015	\$ 112,855,418	\$ 86,912,864	\$ 25,942,554	77.0%	\$ 27,512,115	94.3%
2014	\$ 106,630,772	\$ 87,951,303	\$ 18,679,469	82.5%	\$ 24,661,404	75.7%

CONTACT INFORMATION

Presented by:

Alisa Train

Cherry Bekaert LLP

800 North Magnolia Avenue

Orlando, Florida 32803

Email: atrain@cbh.com

Phone: 407-423-7911

Fax: 407-841-4887



**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION
LOCAL 1577 PENSION PLAN**

**FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION**

*For the Years Ended December 31, 2018 and
2017*

And Report of Independent Auditor

**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION
LOCAL 1577 PENSION PLAN
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Report of Independent Auditor

Board of Trustees
Palm Tran Inc. – Amalgamated Transit Union Local 1577 Pension Plan
West Palm Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Palm Tran, Inc. – Amalgamated Transit Union Local 1577 Pension Plan (the “Plan”) which comprise the statements of fiduciary net position as of December 31, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 fiduciary net position of the Palm Tran, Inc. – Amalgamated Transit Union Local 1577 Pension Plan as of December 31, 2018 and 2017 and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2019 on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Plan's 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 Plan's internal control over financial reporting and compliance.

Orlando, Florida
June 6, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

PALM TRAN INC. – AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2018 and 2017

As management of the Palm Tran Inc. - Amalgamated Transit Union Local 1577 Pension Plan (the "Plan") we offer readers of the Plan's financial statements this narrative overview of the financial activities of the Plan for the years ended December 31, 2018 and 2017. This narrative is intended to supplement the Plan's financial statements, and we encourage readers to consider the information presented here in conjunction with these statements, which begin on page 8.

Overview of the financial statements

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

- Statements of fiduciary net position
- Statements of changes in fiduciary net position
- Notes to the financial statements

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

- Schedule of changes in net pension liability and related ratios
- Schedule of contributions
- Schedule of money-weighted rate of return
- Notes to required supplementary information

The financial statements contained in the report are described below:

- The statements of fiduciary net position are a point-in-time snapshot of account balances at fiscal year-end. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the statement date. The resulting net position value (assets – liabilities = net position) represents the value of assets, net of liabilities, restricted for pension benefits.
- The statements of changes in fiduciary net position display the effect of pension plan transactions that occurred during the fiscal years, where additions – deductions = net increase in net position. This net increase in net position reflects the change in the net asset value of the statement of fiduciary net position from the prior year to the current year. Both statements are in compliance with Governmental Accounting Standards Board ("GASB") pronouncements.
- The notes to the financial statements are an integral part of the financial statements and provide additional information that is essential to the comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which the Plan operates and provide additional levels of detail for select financial statement items (See notes to financial statements on pages 10 to 18 of this report).

PALM TRAN INC. – AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2018 and 2017

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

- The schedule of changes in net pension liability and related ratios (page 19) includes information about the sources of changes to the net pension liability and to the changes in Plan fiduciary net position. They also provide information regarding the fiduciary net position as a percentage of covered employee payroll and the net pension liability as a percentage of covered payroll.
- The schedule of contributions (page 20) presents information regarding the value of total annual contributions required to be paid by Palm Beach County (the “County”) and the actual performance of the County in meeting this requirement.
- The schedule of money-weighted rate of return (page 21) provides information regarding the Plan’s rate of return.
- The notes to the required supplementary information (page 22) provide background information and explanatory detail to aid in understanding the required supplementary schedules.

Financial highlights

- The assets of the Plan exceeded its liabilities at the close of the fiscal years ended December 31, 2018 and 2017, with \$101,334,628 and \$106,312,842 in net position restricted for pension benefits, respectively.
- Net position decreased by \$4,978,214 or 4.7% during 2018, primarily due to investment loss.
- Net position increased by \$12,812,553 or 13.7% during 2017, primarily due to contributions and investment income.
- For the year ended December 31, 2018, Plan net position was 75.9% of the total pension liability of \$133,537,811. Net pension liability was \$32,203,183, which was 105.0% of covered payroll.
- For the year ended December 31, 2017, Plan net position was 85.2% of the total pension liability of \$124,734,728. Net pension liability was \$18,421,886, which was 60.6% of covered payroll.
- Additions to fiduciary net position for the year ended December 31, 2018 were \$2,019,267, which include employee and County contributions of \$6,433,634 and net loss from investment activities totaling (\$4,414,367).
- Additions to fiduciary net position for the year ended December 31, 2017 were \$18,924,277, which include employee and County contributions of \$6,334,206 and net income from investment activities totaling \$12,590,071.

PALM TRAN INC. – AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2018 and 2017

- Deductions from fiduciary net position totaled \$6,997,481 in 2018, an \$885,757 increase from 2017. Most of the increase relates to increased benefit payments made in 2018.
- Deductions from fiduciary net position totaled \$6,111,724 in 2017, a \$487,361 increase from 2016. Most of the increase relates to increased benefit payments made in 2017.

Analysis of financial activities

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

County and employee contributions to the Plan are made at determined rates of compensation, as set forth in the collective bargaining agreement between the Union and the Plan. Accordingly, contributions fluctuate with levels of compensation. Net position restricted for pension benefits decreased by \$4,978,214 in 2018, compared to an increase of \$12,812,553 in 2017.

Fiduciary Net Position (Table 1)							
As of December 31, 2018, 2017 and 2016							
	2018	2017	2016	Increase (Decrease)		Increase (Decrease)	
				2017 to 2018		2016 to 2017	
				\$	%	\$	%
Current and other assets	\$ 584,691	\$ 1,138,717	\$ 3,407,958	\$ (554,026)	(48.7%)	\$ (2,269,241)	(66.6%)
Investments	101,533,789	105,243,125	90,240,586	(3,709,336)	(3.5%)	15,002,539	16.6%
Total assets	102,118,480	106,381,842	93,648,544	(4,263,362)	(4.0%)	12,733,298	13.6%
Total liabilities	783,852	69,000	148,255	714,852	1036.0%	(79,255)	(53.5%)
Net position	\$ 101,334,628	\$ 106,312,842	\$ 93,500,289	\$ (4,978,214)	(4.7%)	\$ 12,812,553	13.7%

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

During 2018, the Plan's investment portfolio returned losses of approximately (4.0%). It is important to remember that a retirement plan's funding is based on a long time horizon, where temporary ups and downs in the market are expected. The more critical factor is that the Plan has consistently been able to meet an expected earnings yield of 8.0% annual return on investments, even though this year did not meet the expected yield.

Based on the latest actuarial analysis for the year ended December 31, 2018, the Plan's total pension liability exceeds its Plan fiduciary net pension liability by \$32,203,183, producing a plan fiduciary net position as a percent of total pension liability of 75.9%.

PALM TRAN INC. – AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2018 and 2017

Financial analysis - summary

As previously noted, net position viewed over time may serve as a useful indication of the Plan's financial position (See Table 1 on page 5.) At the close of 2018, the assets of the Plan exceeded its liabilities by \$101,334,628 in fiduciary net position restricted for pension benefits. The fiduciary net position is available to meet the Plan's ongoing obligation to plan participants and their beneficiaries.

Net position

The Plan's net position is established from County and employee contributions, and the accumulation of investment return, net of investment and administrative expenses and benefit payments.

Additions to plan net position

As noted above, the position needed to finance retirement benefits is accumulated through the collection of County and member contributions and through investment earnings (net of investment expenses). The additions totaled \$2,019,267 for the year ended December 31, 2018. This was \$16,905,010 less than the prior year, primarily due to decreased investment returns.

Additions to Net Position (Table 2)							
As of December 31, 2018, 2017 and 2016							
	2018	2017	2016	Increase (Decrease)		Increase (Decrease)	
				2017 to 2018		2016 to 2017	
				\$	%	\$	%
Employer contributions	\$ 5,509,648	\$ 5,421,844	\$ 5,589,705	\$ 87,804	1.6%	\$ (167,861)	(3.0%)
Employee contributions	923,986	912,362	867,999	11,624	1.3%	44,363	5.1%
Net investment income (loss)	(4,414,367)	12,590,071	5,754,084	(17,004,438)	(135.1%)	6,835,987	118.8%
Total additions	\$ 2,019,267	\$ 18,924,277	\$ 12,211,788	\$ (16,905,010)	(89.3%)	\$ 6,712,489	55.0%

PALM TRAN INC. – AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2018 and 2017

Deductions from plan net position

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

Deductions from Net Position (Table 3)							
As of December 31, 2018, 2017 and 2016							
	2018	2017	2016	Increase (Decrease)		Increase (Decrease)	
				2017 to 2018		2016 to 2017	
				\$	%	\$	%
Benefit payments	\$ 6,186,078	\$ 5,615,400	\$ 5,318,081	\$ 570,678	10.2%	\$ 297,319	5.6%
Refunds of participant contributions	439,250	282,629	149,263	156,621	55.4%	133,366	89.3%
Administrative expenses	372,153	213,695	157,019	158,458	74.2%	56,676	36.1%
Total deductions	\$ 6,997,481	\$ 6,111,724	\$ 5,624,363	\$ 885,757	14.5%	\$ 487,361	8.7%

Deductions for the year ended December 31, 2018 totaled \$6,997,481, an increase of 14.5% from 2017. The increase was due primarily to the additional participants receiving benefits and refunds as well as increased administrative expenses.

Fiduciary responsibilities

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

Requests for information

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

Palm Tran Inc. – Amalgamated Transit Union Local 1577 Pension Plan
c/o Strategic Benefit Advisors, Inc.
2392 Mount Vernon Road, Suite 200
Atlanta, GA 30338

BASIC FINANCIAL STATEMENTS

DRAFT

PALM TRAN, INC.
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
STATEMENTS OF FIDUCIARY NET POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ -	\$ 820,858
Receivables		
Interest and dividends	83,712	88,785
Pending trades receivable	500,979	38,564
Other receivables	-	190,510
Total receivables	584,691	317,859
Investments		
Money market funds	3,664,305	2,730,405
U.S. Government obligations	7,020,369	7,256,818
Asset-backed securities	425,903	698,447
Corporate obligations	6,950,849	4,844,751
Convertible bonds	3,666,436	4,124,688
Fixed income mutual funds	16,147,411	16,471,345
International equity securities	864,188	5,339,767
Domestic equity securities	8,495,848	10,559,558
Equity mutual funds	38,524,995	39,900,233
Preferred equity securities	1,162,068	1,166,322
Global infrastructure fund	879,533	-
Commingled real estate fund	11,700,986	9,845,522
MLP common trust fund	2,030,898	2,305,269
Total investments	101,533,789	105,243,125
Total assets	102,118,480	106,381,842
Liabilities		
Accounts payable	77,083	-
Pending trades payable	706,769	69,000
Total liabilities	783,852	69,000
Net position restricted for pension benefits	\$ 101,334,628	\$ 106,312,842

PALM TRAN, INC.
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Additions		
Contributions		
Employer	\$ 5,509,648	\$ 5,421,844
Employee	923,986	912,362
Total contributions	<u>6,433,634</u>	<u>6,334,206</u>
Investment income		
Net (depreciation) appreciation in fair value of investments (realized and unrealized)	(7,234,572)	10,360,744
Interest and dividends	3,301,862	2,620,311
Other	16,073	14,541
	<u>(3,916,637)</u>	<u>12,995,596</u>
Less investment expenses	(497,730)	(405,525)
Net investment (loss) income	<u>(4,414,367)</u>	<u>12,590,071</u>
Total additions	<u>2,019,267</u>	<u>18,924,277</u>
Deductions		
Participant benefit payments	6,186,078	5,615,400
Refund of participant contributions	439,250	282,629
Administrative expenses	372,153	213,695
Total deductions	<u>6,997,481</u>	<u>6,111,724</u>
Net (decrease) increase in net position restricted for pension benefits	(4,978,214)	12,812,553
Net position restricted for pension benefits		
Beginning of year	106,312,842	93,500,289
End of year	<u>\$ 101,334,628</u>	<u>\$ 106,312,842</u>

**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
NOTES TO FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2018 and 2017

Note 1 - Summary of significant accounting policies

Basis of accounting - The financial statements of the Palm Tran, Inc. - Amalgamated Transit Union Local 1577 Pension Plan (the "Plan") are prepared using the accrual basis of accounting. Contributions from the Plan's members are recognized as revenue in the period in which the contributions are due. Contributions from Palm Beach County (the "County") on behalf of Palm Tran, Inc. are recognized as revenue when due and when the County is legally required to provide contributions. Expenses are recognized in the accounting period incurred, if measurable. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method used to value investments - Investments, with the exceptions of money market funds, global infrastructure fund, commingled real estate fund, and master limited partnership ("MLP") common trust fund, are reported at fair value. Money market funds are reported at amortized cost, which approximates fair value, and global infrastructure fund, commingled real estate fund, and MLP common trust fund are reported at net asset value ("NAV"), which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price or exchange rates. NAV of the global infrastructure fund, commingled real estate fund, and MLP common trust fund is determined by the fund managers using fair values of the underlying investments of the funds. There are no restrictions or terms and conditions on the Plan in redeeming the global infrastructure fund, commingled real estate fund, and MLP common trust fund, and the Plan has no unfunded commitments related to the investments. Real estate values are based upon independent appraisals performed for assets held by the open-end fund annually, with restricted-scope appraisals conducted on a quarterly basis for those assets not receiving a full appraisal. The fair value of real estate is determined as the price that the Plan would expect to receive if the asset was sold to a market participant assuming the highest and best use of each asset at the date of the statements of fiduciary net position. Net appreciation (depreciation) in fair value of investments includes the difference between cost and fair value of investments held as well as the net realized gains and losses for securities which are sold. Interest and dividend income are recognized on the accrual basis when earned. Purchases and sales of investments are recorded on a trade date basis.

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

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

Note 2 - Plan description and contribution information

Plan description

The Plan is a single employer contributory defined benefit pension plan established by an agreement between Florida Transit Management, Inc. and Local Union 1577 of the Amalgamated Transit Union, AFL-CIO, CLC (the "Union") on January 1, 1977. In 1996, Palm Tran, Inc. became the successor employer assuming all rights and obligations of Florida Transit Management, Inc. under the Plan. The Plan covers all full-time employees of Palm Tran, Inc. The Plan is administered by a Board of Trustees comprised of four trustees appointed by Palm Tran, Inc. and the Union, who have the authority to establish and amend benefits.

**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
NOTES TO FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2018 and 2017

Note 2 - Plan description and contribution information (continued)

Pension Benefits

The Plan provides retirement, death and disability benefits to its participants. In general, normal retirement benefits are 2.5% of the participant's final average salary multiplied by the years of credited service up to a maximum of 25 years. Participants that have greater than 5 but fewer than 10 years of credited service as of the participant's first anniversary date on or after October 1, 2013 will have a benefit multiplier of 2%. Participants with fewer than 5 years of credited service on or before their first anniversary date on or after October 1, 2013 will have a benefit multiplier of 1.6%. In all cases service accrued prior to October 1, 2013 will be credited with the 2.5% multiplier.

The "final average salary" represents the highest average gross compensation earned by the employee during any three calendar years in the employment of the employer. For participants who have earned fewer than 5 years of credited service as of October 1, 2013 the "final average salary" represents the highest average gross compensation earned by the employee during any five calendar years in the employment of the employer. For participants hired on or after October 1, 2013 the "final average salary" represents the highest average gross compensation earned by the employee during any eight calendar years in the employment of the employer.

Retirees and terminated participants are entitled to receive an amount equal to their employee contributions, payable in a lump-sum.

Normal retirement

A participant can receive normal (unreduced) retirement benefits at age 65 or the completion of 5 years of credited service. For participants that have earned fewer than 10 years of credited service as of the participant's first anniversary date on or after October 1, 2013, the normal retirement age will be age 65 with the completion of 5 or more years of credited service or 33 years of credited service regardless of age.

The retirement benefits of a participant retiring after the date on which he or she became eligible for normal retirement will be increased by 1% for each of the first 60 months that the retirement date follows the normal retirement date, plus 1.5% for each month thereafter.

Early retirement

A participant can receive early retirement benefits at age 55 upon the completion of 10 years of credited service. The pension benefit is reduced by 1/2% for each month of early retirement prior to age 60. For participants that have their first anniversary of employment on or after October 1, 2013, the reduction will be 1/2% for each month of early retirement prior to age 62.

Unreduced early retirement

Participants are eligible to retire with an unreduced early retirement if they meet either of the following conditions:

- (1) Attainment of age 62 and at least 5 years of credited service (for participants that have their first anniversary of employment on or after October 1, 2013), or
- (2) Attainment of age 60 and at least 10 years of credited service (for participants that have at least 10 years credited service as of October 1, 2013).

**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
NOTES TO FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2018 and 2017

Note 2 - Plan description and contribution information (continued)

Rule of 85 retirement

Participants that have at least 10 years of credited service as of October 1, 2013 are eligible for the Rule of 85 retirement if the sum of their age and years of credited service equals 85. If a participant retires under Rule of 85, the benefit will be determined in the same manner as a normal retirement with no reduction for age.

Disability benefits

A participant who is totally and permanently disabled and has earned at least 10 years of credited service will be eligible for disability retirement income. This amount is computed in the same manner as normal retirement, but with no reduction based on your age.

Supplemental benefits

Participants retiring on or after age 60 with at least 10 years of credited service are entitled to a supplemental benefit of \$200 per month, which continues until age 65. Participants retiring under the Rule of 85 before reaching age 60 will receive the supplemental benefit starting at age 60.

Death benefits

If a participant dies before having retired and has not earned a vested percentage in his/her accrued pension benefit, his/her beneficiary will receive a cash benefit equal to the participant's contributions plus interest earned before May 25, 2007. Upon the death of an active participant who has earned at least 10 years of credited service, his/her designated beneficiary will receive, upon application, a lump-sum benefit in the amount of \$5,000 in addition to any other benefits payable to the participant. If the deceased was a retired participant who had earned at least 10 years of credited service, the lump-sum benefit is \$7,500.

Refund of participant contributions

A participant who leaves employment with less than 5 years of credited service will receive a lump-sum distribution equal to the total employee contributions without interest.

Upon retirement directly from active service, a participant with 10 years of credited service will receive a lump-sum distribution equal to the total employee contributions made prior to January 1, 2012, without interest. This benefit is payable in addition to a participant's retirement benefit as described in the Plan Document.

Participants consisted of the following at January 1, 2017, the date of the actuarial valuation:

Retirees and beneficiaries receiving benefits	342
Terminated employees entitled to benefits but not yet receiving them	108
Active plan members	<u>593</u>
Total	<u>1,043</u>

**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
NOTES TO FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2018 and 2017

Note 2 - Plan description and contribution information (continued)

Contributions

Participants are required by the Union's collective bargaining agreement to make contributions of 3.0% of their compensation to the Plan. Prior to October 1, 2014, the County made contributions to the Plan as required by the collective bargaining agreement. Effective October 1, 2014, the County will contribute the minimum required contribution as determined by the Plan actuary and approved by the Board of Trustees. Contribution requirements were established by and may be amended by the Union's collective bargaining agreement. Administrative costs are financed through investment earnings.

Note 3 - Deposits and investments

Deposits

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

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

Investments

Authorized investments - The Plan's investment practices are governed by Chapters 280 (Florida Security for Public Deposits Act) and 218 (Local Government Investment Policies), Florida Statutes, the Restated Agreement and Declaration of Trust and Pension Plan, and the Plan's adopted investment policy. The Trustees have the authority to review and amend the investment policy. Florida Statutes, the Restated Agreement and Declaration of Trust and Pension Plan and the Plan's investment policy authorize the Board of Trustees to invest in equities, fixed income securities, real estate, infrastructure, and cash equivalents. The policy prohibits investments in tax-exempt bonds; interest only and principal only collateralized mortgage obligations; commodity futures; short sales; general obligations issued by a foreign government; hedge funds (unless approved by the Board); insurance annuities; repurchase agreements secured by anything but U.S.; margin purchase, lending or borrowing money; options; letter stock or private equity placements; private mortgages; securities lending (unless directed by the Board); investments and assets for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism; securities of the money manager, the directed trustee/custodian bank or their parent or subsidiaries; private placement or 144a securities; and any investment prohibited by local, state or federal law.

PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

Note 3 - Deposits and investments (continued)

At December 31, 2018 and 2017, the Plan had the following investments:

2018	Credit rating (S&P)	Amount	Investment maturity (in years)			
			Less than 1	1 - 5	5 - 10	More than 10
Money market funds	AAA	\$ 3,664,305	\$ 3,664,305	\$ -	\$ -	\$ -
U.S. Government obligations	AA+	7,020,369	209,925	2,159,185	1,927,380	2,723,879
Asset-backed securities	N/A	425,903	-	-	149,033	276,870
Corporate obligations	AA+ .. BBB+	6,950,849	1,391,371	5,067,993	491,485	-
Convertible bonds	N/A	3,666,436	578,292	2,031,047	747,354	309,743
Fixed income subtotal		21,727,862	\$ 5,843,893	\$ 9,258,225	\$ 3,315,252	\$ 3,310,492
Fixed income mutual funds	N/R*	16,147,411				
International equity securities	N/R	864,188				
Domestic equity securities	N/R	8,495,848				
Equity mutual funds	N/R	38,524,995				
Preferred equity securities	N/R	1,162,068				
Global infrastructure fund	N/R	879,533				
Commingled real estate fund	N/R	11,700,986				
MLP common trust fund	N/R	2,030,898				
Total investments		\$ 101,533,789				

*Not Rated

2017	Credit rating (S&P)	Amount	Investment maturity (in years)			
			Less than 1	1 - 5	5 - 10	More than 10
Money market funds	AAA	\$ 2,730,405	\$ 2,730,405	\$ -	\$ -	\$ -
U.S. Government obligations	AAA .. A	7,256,819	1,830,541	2,430,081	-	2,996,197
Asset-backed securities	N/A	698,447	-	-	304,807	393,640
Corporate obligations	AAA .. A	4,844,751	284,315	3,488,055	1,072,381	-
Convertible bonds	N/A	4,124,687	534,050	2,263,283	530,394	796,960
Fixed income subtotal		19,655,109	\$ 5,379,311	\$ 8,181,419	\$ 1,907,582	\$ 4,186,797
Fixed income mutual funds	N/R*	16,471,345				
International equity securities	N/R	5,339,767				
Domestic equity securities	N/R	10,559,558				
Equity mutual funds	N/R	39,900,233				
Preferred equity securities	N/R	1,166,322				
Commingled real estate fund	N/R	9,845,522				
MLP common trust fund	N/R	2,305,269				
Total investments		\$ 105,243,125				

*Not Rated

PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

Note 3 - Deposits and investments (continued)

Interest rate risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Although the Plan's investment policy does not provide limitations as to maturities, the Plan minimizes risk of fair value losses in its fixed income portfolio due to rising interest rates by investing in fixed income common trust funds or by structuring its investment portfolio so that securities mature to meet ongoing cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity; and by investing operating funds primarily in shorter-term securities or by cash flow projections.

Credit risk – This is the risk that a security or portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization ("NSRO"). The Plan's investment policy limits investments in fixed income securities to securities with the following ratings:

- Corporate fixed income: Standard & Poor's "BBB", with an average bond portfolio rating of "A" or higher
- Collateralized mortgage obligations backed by the full faith of the U.S. Government: a rating of "AAA" by an NSRO

The table above discloses the credit ratings by investment type as of December 31, 2018.

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

Concentration of credit risk – Per the Plan's investment policy, equity investments, including convertible securities, infrastructure, and REITs, are limited to 70% of the plan's assets. Investments in shares of companies that have been publicly traded for less than one year are limited to no more than 10% of an investment manager's total equity portfolio. Not more than 5% of an investment manager's portfolio may be invested in the securities of a single corporate issuer. Investments in securities issued by foreign governments or corporations domiciled outside the United States are limited to 20% (at the time of purchase) of the Plan's total market value. Not more than 2% of the total bond portfolio may be invested in a single corporation. Asset-backed securities investments in any one issuing corporation are limited to 5% of the total bond portfolio.

The following was the Board's adopted asset allocation policy as of December 31, 2018:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	7.5%
International equity	15%	2.5%
Bonds	20%	3.6%
TIPS	4.5%	2.7%
Convertibles	10%	6.3%
Private real estate	10%	4.9%
REITS	5%	6.6%
Infrastructure	5%	5.8%
Cash	0.5%	0.7%
	100%	

PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

Note 3 - Deposits and investments (continued)

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

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

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

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

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

At December 31, 2018, the Plan's measurements for investments were as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	12/31/2018			
Investments measured at fair value level				
U.S. Government obligations	\$ 7,020,369	\$ -	\$ 7,020,369	\$ -
Asset-backed securities	425,903	-	425,903	-
Corporate obligations	6,950,849	-	6,950,849	-
Convertible bonds	3,666,436	-	3,666,436	-
Fixed income mutual funds	16,147,411	16,147,411	-	-
International equity securities	864,188	864,188	-	-
Domestic equity securities	8,495,848	8,495,848	-	-
Equity mutual funds	38,524,995	38,524,995	-	-
Preferred equity securities	1,162,068	1,162,068	-	-
Total investments measured at fair value	83,258,067	\$ 65,194,510	\$ 18,063,557	\$ -
Investments measured at NAV				
Global infrastructure fund	879,533			
Commingled real estate fund	11,700,986			
MLP common trust fund	2,030,898			
Total investments measured at NAV	14,611,417			
Investments measured at amortized cost				
Money market funds	3,664,305			
Total investments measured at amortized cost	3,664,305			
Total investments	\$ 101,533,789			

PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

Note 3 - Deposits and investments (continued)

At December 31, 2017, the Plan's measurements for investments were as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	12/31/2017			
Investments measured at fair value level				
U.S. Government obligations	\$ 7,256,818	\$ -	\$ 7,256,818	\$ -
State and local obligations	698,447	-	698,447	-
Asset-backed securities	4,844,751	-	4,844,751	-
Corporate obligations	4,124,688	-	4,124,688	-
Convertible bonds	16,471,345	16,471,345	-	-
International equity securities	5,339,767	5,339,767	-	-
Domestic equity securities	10,559,558	10,559,558	-	-
Equity mutual funds	39,900,233	39,900,233	-	-
Preferred equity securities	1,166,322	1,166,322	-	-
Total investments measured at fair value	90,361,929	\$ 73,437,225	\$ 16,924,704	\$ -
Investments measured at NAV				
Commingled real estate fund	9,845,522			
MLP common trust fund	2,305,269			
Total investments measured at NAV	12,150,791			
Investments measured at amortized cost				
Money market funds	2,730,405			
Total investments measured at amortized cost	2,730,405			
Total investments	\$ 105,243,125			

Note 4 - Net pension liability of the County

The components of the net pension liability of the County at December 31, 2018 and 2017, were as follows:

	2018	2017
Total pension liability	\$ 133,537,811	\$ 124,734,728
Plan fiduciary net position	101,334,628	106,312,842
Net pension liability of the County	<u>\$ 32,203,183</u>	<u>\$ 18,421,886</u>
Plan fiduciary net position as a percentage of the total pension liability	75.9%	85.2%

**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
NOTES TO FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2018 and 2017

Note 4 - Net pension liability of the County (continued)

Mortality rates are fully generational from 2000 using scale BB. Assumptions for inflation and salary increases were 2.5% and 5% to 12.5%, respectively.

The discount rate used to measure the total pension liability was 7.75%. This is the single rate that reflects the long-term expected net rate of return on pension plan investments expected to be used to finance the payment of benefits, including inflation. The actuary determined that the fiduciary net position is projected to be sufficient to make projected benefit payments. For purposes of this determination it is understood that pension plan assets are expected to be invested using a strategy to achieve the 7.75% net discount rate.

The following presents the net pension liability of the County, calculated using the discount rate of 7.75% for the 2018 fiscal year, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

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

1% Decrease 6.75%	Current Single Discount Rate Assumption 7.75%	1% Increase 8.75%
\$46,368,684	\$32,203,183	\$20,154,544

The following presents the net pension liability of the County, calculated using the discount rate of 8.0% for the 2017 fiscal year, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.0%) or 1-percentage point higher (9.0%) than the current rate:

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

1% Decrease 7.0%	Single Discount Rate Assumption 8.0%	1% Increase 9.0%
\$31,691,626	\$18,421,886	\$7,120,248

Note 5 - Income taxes

The Plan administrator and the Plan's tax counsel believe the Plan is currently designed and is being operated in compliance with the applicable requirements of the Internal Revenue Service Code and the Plan continues to qualify under Section 401(a) as tax-exempt as of December 31, 2018. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Note 6 - Subsequent events

Management has evaluated subsequent events through June 6, 2019 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Year Ending December 31,	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 4,022,548	\$ 3,657,542	\$ 3,614,568	\$ 3,699,372	\$ 3,517,163
Interest	10,013,496	9,655,384	9,070,466	8,602,255	7,920,953
Benefit changes	-	-	-	-	-
Difference between actual and expected experience	(1,801,094)	(2,489,675)	260,004	(2,653,460)	1,780,535
Assumption changes	3,193,461	(523,606)	-	1,585,562	-
Benefit payments, including refunds of member contributions	(6,625,328)	(5,898,029)	(5,467,344)	(5,009,083)	(4,626,680)
Net change in total pension liability	8,803,083	4,401,616	7,477,694	6,224,646	8,591,971
Total pension liability - beginning	124,734,728	120,333,112	112,855,418	106,630,772	98,038,801
Total pension liability	\$ 133,537,811	\$ 124,734,728	\$ 120,333,112	\$ 112,855,418	\$ 106,630,772
Plan fiduciary net position					
Contributions - County	\$ 5,509,648	\$ 5,421,844	\$ 5,589,705	\$ 5,215,491	\$ 7,205,534
Contributions - Members	923,986	912,362	867,999	777,273	684,731
Net investment income	(4,414,367)	12,590,071	5,754,084	(1,839,676)	4,845,252
Benefit payments, including refunds of member contributions	(6,625,328)	(5,898,029)	(5,467,344)	(5,009,083)	(4,626,680)
Administrative expense	(372,153)	(213,695)	(157,019)	(182,444)	(223,302)
Net changes in Plan fiduciary net position	(4,978,214)	12,812,553	6,587,425	(1,038,439)	7,885,535
Total Plan fiduciary net position - beginning	106,312,842	93,500,289	86,912,864	87,951,303	80,065,768
Total Plan fiduciary net position - ending	101,334,628	106,312,842	93,500,289	86,912,864	87,951,303
Net pension liability ending	\$ 32,203,183	\$ 18,421,886	\$ 26,832,823	\$ 25,942,554	\$ 18,679,469
Plan fiduciary net position as a percentage of the total pension liability	75.9%	85.2%	77.7%	77.0%	82.5%
Covered payroll	\$ 30,674,568	\$ 30,402,375	\$ 30,061,310	\$ 27,512,115	\$ 24,661,404
Net pension liability as a percentage of covered payroll	105.0%	60.6%	89.3%	94.3%	75.7%

Note to Schedule:

Government accounting standards require 10 year trend information. As fiscal year 2014 is the first year of implementation, additional years will be displayed as the information becomes available.

**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CONTRIBUTIONS

<u>FY Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a % of Covered Payroll</u>
2018	\$ 5,509,648	\$ 5,509,648	\$ -	\$ 30,674,568	18.0%
2017	\$ 5,421,844	\$ 5,421,844	\$ -	\$ 30,402,375	17.8%
2016	\$ 5,482,364	\$ 5,589,705	\$ (107,341)	\$ 30,061,310	18.2%
2015	\$ 5,123,999	\$ 5,215,491	\$ (91,492)	\$ 27,512,115	18.6%
2014	\$ 4,744,444	\$ 4,522,038	\$ 222,406	\$ 24,661,404	19.2%
2013	\$ 5,684,906	\$ 4,102,966	\$ 1,581,940	\$ 25,724,674	22.1%
2012	\$ 5,544,441	\$ 3,836,843	\$ 1,707,598	\$ 24,999,674	22.2%
2011	\$ 5,768,814	\$ 3,628,424	\$ 2,140,390	\$ 25,497,963	22.6%
2010	\$ 5,610,477	\$ 3,294,481	\$ 2,315,996	\$ 25,386,904	22.1%
2009	\$ 5,464,952	\$ 3,302,893	\$ 2,162,059	\$ 24,611,065	22.2%

**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN

Year Ending December 31,	Annual money-weighted rate of return, net of investment expenses
2018	-4.0 %
2017	14.0 %
2016	7.4 %
2015	-1.6 %
2014	6.6 %

Note: Government accounting standards require 10-year trend information. As fiscal year 2014 is the first year of implementation, additional years will be displayed as the information becomes available.

**PALM TRAN, INC. -
AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation Date January 1, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Remaining amortization period	14 year equivalent single amortization period as of January 1, 2018
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	5% to 12.5%, including inflation
Investment rate of return	8.0% net of investment expenses, including inflation
Retirement age	Tier 1 Members with at least 10 years of service and who have not reached the Rule of 85 retire at a rate of 10% between age 62 and 64. Members with at least 5 years of service and who have not reached the Rule of 85 retire at a rate of 10% between age 65 and 68. Tier 1 Members who are age 69 or have met the Rule of 85 are assumed to retire immediately. Tier 2 and 3 Members are assumed to retire at the earliest of 65 with 5 years of service, age 62 with 10 years of service, or at 33 years of service regardless of age. Tier 4 Members are assumed to retire at the earliest of 65 with 8 years of service or 62 with 10 years of service.
Mortality	The mortality table for healthy males is 50% of the RP-2000 Annuitant White Collar rates plus 50% of the RP-2000 Annuitant Blue Collar rates. The mortality table for healthy females is 100% of the RP-2000 Annuitant White Collar rates. Both the male and female healthy mortality rates are fully generational from 2000 using Scale BB. Male disabled lives are valued using 100% of the RP-2000 Disabled Retiree rates set back 4 years and female disabled lives are valued using 100% of the RP-2000 Disabled Retiree rates set forward 2 years.

Benefit changes: None.

Changes in assumptions: None.

OTHER SUPPLEMENTARY INFORMATION

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PALM TRAN, INC.**AMALGAMATED TRANSIT UNION LOCAL 1577 PENSION PLAN****SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES***YEARS ENDED DECEMBER 31, 2018 AND 2017*

	2018	2017
Administrative expenses		
Accounting services	\$ 16,850	\$ 19,300
Actuarial services	69,750	45,450
Legal services	51,337	60,393
Administrative services	213,555	58,001
Liability insurance	12,597	19,327
Trustee expenses	5,854	5,824
Bank/ADR charges	285	4,034
Other administrative expenses	1,925	1,366
Total administrative expenses	<u><u>\$ 372,153</u></u>	<u><u>\$ 213,695</u></u>
Investment expenses		
Investment management fees	\$ 387,788	\$ 322,013
Custodial fees	69,942	43,512
Performance monitoring fees	40,000	40,000
Total investment expenses	<u><u>\$ 497,730</u></u>	<u><u>\$ 405,525</u></u>

OTHER REPORT

DRAFT

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

Board of Trustees
Palm Tran Inc. - Amalgamated Transit Union Local 1577 Pension Plan
West Palm Beach, 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 Palm Tran Inc. - Amalgamated Transit Union Local 1577 Pension Plan (the "Plan") as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon, dated June 6, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Orlando, Florida
June 6, 2019

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June 6, 2019

Cherry Bekaert LLP

This representation letter is provided in connection with your audits of the financial statements of the Palm Tran, Inc. – Amalgamated Transit Union Local 1577 Pension Plan (the “Plan”), which comprise the statements of fiduciary net position as of December 31, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 6, 2019, the following representations made to you during your audits.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 6, 2018, including our responsibility for the preparation and fair presentation of the financial statements.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all other financial information required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) As part of your audit, you assisted with the preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 6) We understand that as part of your audit, you prepared the adjusting journal entries necessary to reclassify investment activity. We acknowledge that we have reviewed and approved those entries and accepted responsibility for them. We are in agreement with the adjusting journal entries that you have proposed and they have been posted to the Plan's accounts.
- 7) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 8) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 9) There have been no events subsequent to the date of the financial statements for which U.S. GAAP requires adjustment or disclosure.
- 10) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 11) There were no material concentrations to be disclosed in accordance with U.S. GAAP.

- 12) Financial instruments with concentrations of credit risk have been properly recorded or disclosed in the financial statements.
- 13) There are no guarantees, whether written or oral, under which the Plan is contingently liable.

Information Provided

- 14) We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audits.
 - c. Unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence.
 - d. Plan instruments, trust agreements, insurance contracts, or investment contracts and amendments to such documents entered into during the year, including amendments to comply with applicable laws.
 - e. Actuarial reports prepared for the Plan and the Plan's sponsor during both years.
- 15) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 16) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 17) We have no knowledge of any fraud or suspected fraud that affects the Plan and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
- 18) We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
- 19) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements, except for investment policy noncompliance as noted in the separately issued management letter.
- 20) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 21) We have disclosed to you the identity of the Plan's related parties and parties in interest and all the related-party relationships and transactions of which we are aware.
- 22) The Plan has satisfactory title to all owned assets, which are recorded at fair value, and all liens, encumbrances, or security interests requiring disclosure in the financial statements have been properly disclosed.
- 23) We have no—
 - a. Plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
 - b. Intentions to terminate the plan.
- 24) Amendments to the plan instrument, if any, have been properly recorded or disclosed in the financial statements.
- 25) We have no knowledge of any omissions from the participants' data provided to the Plan's actuary for the purpose of determining the actuarial present value of the plan's benefit obligations and other actuarially determined amounts in the financial statements.

- 26) The Plan administrator agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the Plan's benefit obligations and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances. We did not give any instructions, nor cause any to be given, to the Plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the Plan's actuary.
- 27) We have obtained the service auditor's report from our service organization. We have reviewed the report, including the complementary user controls. We have implemented the relevant user controls, and they were in operation for the years ended December 31, 2018 and 2017. Also, the service auditor has not reported to us any:
- a. Fraud
 - b. Noncompliance with laws and regulations, or
 - c. Uncorrected misstatements affecting the Plan financial statements as a result of the third-party service provider.
- 28) The following have been properly recorded and disclosed:
- a. The actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements.
 - b. Plan provisions between the actuarial valuation date and the date of this letter.
- 29) The methods and significant assumptions used to estimate fair values of financial instruments, including nonreadily marketable securities, are as follows: current values of investments have been determined using published market prices. If published market prices are unavailable, estimated values are based on similar investments of issuers with similar credit ratings. The methods and significant assumptions used result in a measure of fair value appropriate for financial measurement and disclosure purposes.
- 30) All required filings of the Plan's documents with the appropriate agencies have been made.
- 31) The Plan is qualified under the appropriate section of the Internal Revenue Code and we intend to continue them as a qualified plan. The Plan sponsor has operated the Plan in a manner that did not jeopardize this tax status.
- 32) We have apprised you of all communications, whether written or oral, with regulatory agencies concerning the operation of the Plan.
- 33) We acknowledge our responsibility for the required supplementary information ("RSI"). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 34) With respect to the supplementary information on which an in-relation-to opinion is issued. We acknowledge our responsibility for presenting other supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the other supplemental information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the other supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

No events have occurred subsequent to the date of the Plan's financial statements and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Chairman, Board of Trustees

Plan Administrator