



**The City of Pompano Beach
General Employees' Retirement System**

**Financial Statements
Years Ended September 30, 2013 and 2012**



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

The City of Pompano Beach
General Employees' Retirement System
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Independent Auditors' Report

Board of Trustees
The City of Pompano Beach General Employees' Retirement System
Pompano Beach, Florida

We have audited the accompanying financial statements of The City of Pompano Beach General Employees' Retirement System (the "Plan"), which comprise the statements of plan net position as of September 30, 2013 and 2012, and the related statements of changes in plan net position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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 from material misstatement.

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

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



Independent Auditors' Report
(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The City of Pompano Beach General Employees' Retirement System as of September 30, 2013 and 2012, and the related statements of changes in plan 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

United States generally accepted accounting principles require that the management's discussion and analysis and required supplementary information as listed in 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 or 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 my assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying supplementary schedules of investment expenses and administrative expenses (other supplementary schedules) as listed in the accompanying table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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. The information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.



**Independent Auditors' Report
(continued)**

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013 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 to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
December 17, 2013

City of Pompano Beach

General Employees' Retirement System

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Management's Discussion and Analysis **(Required Supplementary Information - Unaudited)** **September 30, 2013 and 2012**

Our discussion and analysis of The City of Pompano Beach General Employees' Retirement System's (the "Plan") financial performance provides an overview of the Plan's financial activities for the fiscal years ended September 30, 2013 and 2012. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements and required supplementary information. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal year ended September 30, 2013 and 2012 by \$138,735,030 and \$119,517,032, respectively (reported as net position held in trust for pension benefits). Net position represents funds available to pay current and future benefit payments. The increases of \$19,217,998 and of \$16,335,389 of the respective years have resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.
- The Plan's funded ratio, a comparison of the actuarial value of assets to the actuarially accrued pension benefit liability, changed from 74.2% as of the October 1, 2010 actuarial valuation to 69.7% as of the October 1, 2011 valuation and 66.7% as of the October 1, 2012 valuation.
- For the fiscal year ending September 30, 2013, employer contributions (City and Broward County) to the Plan, increased \$530,760 or 9.1% based primarily on the actuarial valuation. Actual employer contributions were \$6,332,731 and \$5,801,971 for 2013 and 2012, respectively.

For the fiscal year ending September 30, 2012, employer contributions (City and Broward County) to the Plan, increased \$450,450 or 8.4% based primarily on the actuarial valuation. Actual employer contributions were \$5,801,971 and \$5,351,521 for 2012 and 2011, respectively.

- For the fiscal year ending September 30, 2013, member contributions including buybacks decreased by \$47,651 or a 1.9% decrease. Actual member contributions including buybacks were \$2,524,533 and \$2,572,184 for 2013 and 2012, respectively. Member contributions fluctuate from year to year, based on the number of active members, changes in salaries and changes in member contribution rates.

For the fiscal year ending September 30, 2012, member contributions including buybacks decreased by \$108,333 or a 4.0% decrease. Actual member contributions including buybacks were \$2,572,184 and \$2,680,517 for 2012 and 2011, respectively. Member contributions fluctuate from year to year, based on the number of active members, changes in salaries and changes in member contribution rates.

Management's Discussion and Analysis

(Required Supplementary Information - Unaudited) – continued
September 30, 2013 and 2012

Financial Highlights (continued)

- For the fiscal year ending September 30, 2013, net investment income increased by \$2,847,563 or 16.2%. Actual results were \$18,457,214 and \$15,637,404 in net appreciation in fair value of investments for 2013 and 2012, respectively, and \$3,038,831 and \$2,973,956 in income from interest and dividends and other investment income of \$112,749 and \$9,887, less Deferred Retirement Option Plan participants' earnings of \$340,522 and \$258,131 for 2013 and 2012, respectively. Investment expenses increased by \$54,959 or 7.3%.

For the fiscal year ending September 30, 2012, net investment income increased by \$16,979,914 or 2672.4%. Actual results were \$15,637,404 and (\$1,220,959) in net appreciation (depreciation) in fair value of investments for 2012 and 2011, respectively, and \$2,973,956 and \$2,903,208 in income from interest and dividends and other investment income of \$12,995 and \$18,234, less Deferred Retirement Option Plan participants' earnings of \$258,131 and \$250,311 for 2012 and 2011, respectively. Investment expenses decreased by \$63,862 or 7.8%.

- For the fiscal year ending September 30, 2013, benefit payments increased by \$505,169 or 5.6%. Refunds of contributions decreased by \$46,780 or 22.7%.

For the fiscal year ending September 30, 2012, benefit payments increased by \$750,901 or 9.1%. Refunds of contributions decreased by \$72,038 or 25.9%.

- For the fiscal year ending September 30, 2013, administrative expenses decreased by \$10,326 from 2012 or 2.1% due primarily to decrease in rent and depreciation.

For the fiscal year ending September 30, 2012, administrative expenses increased by \$6,299 from 2011 or 1.3% due primarily to increase in professional fees.

Plan Highlights

The total return of the portfolio was 16.9% for the 2013 year and ranked above average in the Wilshire Public Fund Universe sample, 3% above the target index return. Actual net income from investments was \$20,462,865 in 2013, compared with \$17,615,302 in 2012.

The total return of the portfolio was 17.5% for the 2012 year and ranked above average in the Wilshire Public Fund Universe sample, 0.4% above the target index return. Actual net income from investments was \$17,615,302 in 2012, compared with \$635,388 in 2011.

Management's Discussion and Analysis

(Required Supplementary Information - Unaudited) – continued

September 30, 2013 and 2012

Overview of the Financial Statements

The basic financial statements include the Statements of Plan Net Position and Statements of Changes in Plan Net Position and Notes to the Financial Statements. The Plan also includes in this report additional information to supplement the financial statements.

The Plan presents two types of required supplementary schedules, which provide historical trend information about the Plan's funding. The two types of schedules include a schedule of funding progress and a schedule of contributions by employer and other contributing entities.

The Plan prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. These statements provide information about the Plan's overall financial status.

Description of the Financial Statements

The *Statement of Plan Net Position* presents information that includes all of the Plan's assets and liabilities, with the balance representing the Net Position Held in Trust for Pension Benefits. It is a snapshot of the financial position of the Plan at that specific point in time and reflects the resources available to pay members, retirees and beneficiaries at that point in time.

The *Statement of Changes in Plan Net Position* reports how the Plan's net position changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plan from employers and members and net investment income, which include interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The *Notes to the Financial Statements* are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Plan, contributions, significant accounting policies, funding policy, and investment risk disclosure.

There are also two *Required Supplementary Schedules* included in this report as required by the Governmental Accounting Standards Board. The *Schedule of Funding Progress* presents historical trend information about the actuarially determined funded status of the Plan from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due. The *Schedule of Contributions by Employer and Other Contributing Entities* presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented.

Additional information is presented as part of *Other Supplementary Schedules*. This section is not required but management has chosen to include it. It includes *Schedules of Investment Expenses and Administrative Expenses*. The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the Plan and include financial management, consultant, and custodial fees. The *Schedule of Administrative Expenses* presents the expenses incurred in the administration of the Plan.

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited) – continued
September 30, 2013 and 2012

Statements of Plan Net Position

The table below reflects condensed comparative statements of plan net position as of September 30:

	2013	2012	2011
Cash and cash equivalents	\$ 2,882,709	\$ 3,298,298	\$ 3,382,871
Receivables	495,948	494,377	381,202
Investments	140,529,474	119,639,452	103,290,844
Other assets	5,758	2,978	8,470
Total assets	143,913,889	123,435,105	107,063,387
Liabilities	5,178,859	3,918,073	3,881,744
Net position	\$ 138,735,030	\$ 119,517,032	\$ 103,181,643

Statements of Changes in Plan Net Position

The table below reflects condensed comparative statements of the changes in net plan position and reflects the activities of the Plan for the fiscal years ended September 30:

	2013	2012	2011
Additions:			
Contributions			
Members	\$ 2,524,533	\$ 2,572,184	\$ 2,680,517
City	5,944,472	5,419,858	4,926,040
Broward County – Sheriff's Department	366,414	360,687	396,377
Broward County – Library	21,845	21,426	29,104
Total contributions	8,857,264	8,374,155	8,032,038
Net investment income	20,462,865	17,615,302	635,388
Total additions	29,320,129	25,989,457	8,667,426
Deductions:			
Benefits paid	9,463,247	8,958,078	8,207,177
Refund of contributions	159,068	205,848	277,886
Administrative expenses	479,816	490,142	483,843
Total deductions	10,102,131	9,654,068	8,968,906
Net increase (decrease)	19,217,998	16,335,389	(301,480)
Net position held in trust for pension benefits at beginning of year	119,517,032	103,181,643	103,483,123
Net position held in trust for pension benefits at end of year	\$ 138,735,030	\$ 119,517,032	\$ 103,181,643

Management's Discussion and Analysis

(Required Supplementary Information - Unaudited) – continued
September 30, 2013 and 2012

Statements of Changes in Plan Net Position (continued)

The Plan's investment activities, measured as of the end of any month, quarter or year, are a function of the underlying marketplace for the period measured and the investment policy's asset allocation.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At September 30, 2013, the domestic equity portion comprised 47.7% (\$68,384,101) of the total portfolio. The allocation to fixed income securities was 16.7% (\$23,913,545), while cash and cash equivalents comprised 2.0% (\$2,882,709). Private equity investments comprised 9.6% (\$13,731,712) of the total portfolio. The portion of investments allocated to international equity and real estate was \$21,591,762 and \$12,908,354 or 15.0% and 9.0%, respectively of the total portfolio.

At September 30, 2012, the domestic equity portion comprised 47.3% (\$58,198,914) of the total portfolio. The allocation to fixed income securities was 18.3% (\$22,571,302), while cash and cash equivalents comprised 2.7% (\$3,298,298). Private equity investments comprised 10.1% (\$12,280,477) of the total portfolio. The portion of investments allocated to international equity and real estate was \$15,086,262 and \$11,502,497 or 12.3% and 9.3%, respectively of the total portfolio.

The target asset allocation as of September 30, 2013 and 2012 was as follows:

	2013	2012
Equity (domestic)	35%	30%
Equity (international)	15%	15%
Equity (small/mid cap)	10%	10%
Fixed income	20%	25%
Absolute return*	10%	10%
Direct real estate	10%	10%

* Absolute return strategies may include but not be limited to infrastructure, maritime, tactical asset allocation, TIPs, or market neutral.

Contacting the Plan's Financial Management

This financial report is designed to provide the Retirement Board, Plan membership, taxpayers, investors, and creditors with a general overview of the Plan finances and to demonstrate accountability for the money they receive. If you have any questions about this report or need additional financial information, contact The City of Pompano Beach General Employees' Retirement System, 555 South Andrews Avenue Suite 106, Pompano Beach, Florida 33069.

The City of Pompano Beach General Employees Retirement System

Statements of Plan Net Position

September 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	\$ 2,882,709	\$ 3,298,298
Receivables:		
Employee contributions	-	5,301
County contributions	-	11,375
Accrued interest and dividends	296,269	285,721
Receivable for securities sold	199,679	191,980
Total receivables	495,948	494,377
Investments, at fair value:		
U.S. government securities	9,565,733	8,220,272
Common stocks	50,207,959	43,154,528
Domestic equity funds	18,176,142	15,044,386
International equity funds	21,591,762	15,086,262
Corporate bonds and notes	14,347,812	14,351,030
Private equity	13,731,712	12,280,477
Real estate funds	12,908,354	11,502,497
Total investments	140,529,474	119,639,452
Other assets:		
Deposits	2,978	2,978
Property and equipment, net	2,780	-
Total other assets	5,758	2,978
Total assets	143,913,889	123,435,105
Liabilities		
Accrued expenses	172,454	133,572
Deferred Retirement Option Plan Payable	4,787,700	3,605,893
Payable for securities purchased	218,705	178,608
Total liabilities	5,178,859	3,918,073
Net position held in trust for pension benefits (a schedule of funding progress is presented on page 22)	\$ 138,735,030	\$ 119,517,032

The accompanying notes are an integral part of these financial statements.

The City of Pompano Beach General Employees Retirement System

Statements of Changes in Plan Net Position

For the Years Ended September 30, 2013 and 2012

	2013	2012
Additions:		
Contributions		
Members	\$ 2,524,533	\$ 2,572,184
City	5,944,472	5,419,858
Broward County - sheriff's department	366,414	360,687
Broward County - library	21,845	21,426
Total contributions	8,857,264	8,374,155
Investment income:		
Net appreciation in fair value of investments	18,457,214	15,637,404
Interest	1,117,073	1,066,590
Dividends	1,921,758	1,907,366
Commission recapture	474	3,108
Other	112,749	9,887
Total investment income	21,609,268	18,624,355
Less: Investment expenses	805,881	750,922
Deferred Retirement Option Plan Participants' Earnings	340,522	258,131
Net investment income	20,462,865	17,615,302
Total additions	29,320,129	25,989,457
Deductions:		
Benefits paid	9,463,247	8,958,078
Refund of contributions	159,068	205,848
Administrative expenses	479,816	490,142
Total deductions	10,102,131	9,654,068
Net increase	19,217,998	16,335,389
Net position held in trust for pension benefits:		
Beginning of year	119,517,032	103,181,643
End of year	\$ 138,735,030	\$ 119,517,032

The accompanying notes are an integral part of these financial statements.

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 1 - Description of the Plan

Organization

The City of Pompano Beach General Employees' Retirement System (the "Plan") is a single employer defined benefit pension plan established by the City of Pompano Beach, Florida (the "City") on September 25, 1972. The Plan reflects the provisions and requirements of Ordinance Section No. 34.010 through 34.040, as amended. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

The Plan is administered by a board of seven trustees comprised of three persons elected directly by the members, three persons who are not members appointed by the City Commission, and one person elected by the other six trustees.

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for more detailed and comprehensive information.

Participants

Participants are all general employees with full-time status, elected officials, appointees and senior managers in the City of Pompano Beach, Florida who have met the requirements of the City's merit system. Members are further divided in the following two tiers:

Tier One members are those members hired prior to June 8, 2011.

Tier Two members are those members hired on or after June 8, 2011.

Membership

As of October 1, 2013 and 2012, membership in the Plan consisted of:

	2013	2012
Retirees and beneficiaries currently receiving benefits, including DROP and terminated employees entitled to benefits but not yet receiving them.	389	384
Current employees:		
Vested	237	240
Nonvested	242	232
	479	472

Pension Benefits

All Members

Normal retirement shall be the earlier of attainment of age 55 and 20 completed years of credited service or age 62 and completed 3 years of credited service. Several benefit options are available to members, which should be elected at time of retirement. Early retirement, disability, death and other benefits are also provided.

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 1 - Description of the Plan (continued)

Pension Benefits (continued)

All Members (continued)

General employees have vested benefits after 10 years of creditable service in accordance with qualifications under the plan. Elected officials, appointees, and senior management have vested benefits after 5 years of creditable service in accordance with qualifications under the plan.

Tier One members

Normal retirement benefit is calculated using 2.75% of the Average Monthly Salary multiplied by the years of credited service. Average Monthly Salary is the average of the highest completed 78 biweekly pay periods times 1.0048.

Tier Two members

Normal retirement benefit is calculated using 2.00% of the Average Monthly Salary multiplied by the years of credited service. Average Monthly Salary is the average of the highest completed 130 biweekly pay periods times 1.0048.

Deferred Retirement Option Plan (DROP)

Any member who is eligible to receive a normal retirement pension may freeze their accrued benefits and elect to participate in a Deferred Retirement Option Plan (DROP) while continuing their active employment. For members electing participation in the DROP, an individual DROP account shall be created. Payment shall be made by the Plan into the employee's DROP account in an amount equal to the regular monthly retirement benefit which the participant would have received had the participant separated from service and commenced receipt of pension benefits plus interest. Interest shall be at the same rate as the investment earnings assumption for the Plan.

Participation in the DROP is limited to 60 months.

Cost of Living Adjustment (COLA)

Tier One members

The Plan allows for an annual guaranteed Cost of Living Adjustment (COLA) equal to two percent (2%) payable on October 1, plus an additional variable COLA equal to up to one percent (1%) if Plan earnings are sufficient (as certified by the Plan's actuary). The COLA is payable to each Retiree who has been retired for at least one year at the time of COLA payment (October 1). All retirees and their beneficiaries are eligible for the COLA once they have been retired for one year.

Tier Two members

The Plan allows for an annual guaranteed Cost of Living Adjustment (COLA) for eligible Retirees over the age of 55, payable to each Retiree who has been retired for five years at the time of the COLA payment (October 1). The amount is determined by the Retiree's age on October 1. The COLA amount is one percent (1%) for Retirees between the ages of 55 and 64. For Retirees age 65 and older, the COLA amount is two percent (2%). In addition, eligible Retirees may receive an additional variable COLA equal to up to one percent (1%) if Plan earnings are sufficient (as certified by the Plan's actuary).

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 1 - Description of the Plan (continued)

Funding Requirements

Member Contributions:

Tier One members are required to contribute 10% of their earnings to the Plan. Tier Two members are required to contribute 7% of their earnings to the Plan. If a member terminates their employment before they become eligible to receive benefits, the accumulated contributions will be returned to the members plus interest at 3% per year.

City Contributions:

The City is to contribute such amounts as are necessary to maintain the actuarial soundness of the Plan and to provide the Plan with assets sufficient to meet the benefits to be paid to the participants.

County Contributions:

The County is to contribute such amounts as determined by the actuary to cover Broward Sheriff's Office employees.

Investments

The Plan has contracts with investment managers who supervise and direct the investment of equity and fixed income securities. In addition, the Plan utilizes an investment advisor who monitors the investing activity. The investments owned are held by a custodian in the name of the Plan.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are due. City and County contributions are recognized as revenues when due pursuant to actuarial valuations. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest income is recorded as earned and dividend income is recorded as of the ex-dividend date.

Cash Equivalents

The Plan considers all highly liquid investments with maturity of one year or less when purchased, to be cash equivalents.

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Investments

Plan investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices, when available, have been used to value investments. The fair value of quoted investments is based on the closing sales price or bid price as reported by recognized security exchanges. The market values for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that value. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2013 and 2012. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investment securities is based on appraisals plus fiscal year-to-date capital expenditures.

Private equity partnerships are valued using their respective net asset value ("NAV"). The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors. The management assumptions are based upon the nature of the investment and the underlying business. Because of the inherent uncertainty of the valuation for these private equity investments, the estimated fair value may differ from the values that would have been used had a ready market existed.

Unrealized gains and losses are presented as net appreciation in fair value of investments on the statement of changes in plan net position along with gains and losses realized on sales of investments. Interest income is recorded as earned and dividend income is recorded as of the ex-dividend date. Purchases and sales of investments are recorded on a trade-date basis.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net position.

Property and Equipment, Net

Property and equipment is stated at cost. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The costs of leasehold improvements are depreciated (amortized) over the lesser of the life of the related lease or estimated useful lives of the assets. Depreciation is computed using the straight-line method.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Income Tax Status

The Plan is tax-exempt under the Internal Revenue Code, and, therefore, has recorded no income tax liability or expense.

Risk and Uncertainties

Contributions to the Plan and the actuarial information included in the required supplementary information (RSI) are reported based on certain assumptions pertaining to interest rates, inflation rates and member compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

Recently Adopted Accounting Pronouncements

The Plan has adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB Statement No. 63). The adoption of this Statement resulted in a change in the presentation of the Statement of Plan Net Assets to what is now referred to as the Statement of Plan Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

Subsequent Events

Management has evaluated subsequent events through December 17, 2013, the date which the financial statements were available for issue.

Note 3 – Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2012, the most recent actuarial valuation date, is as follows, (dollar amounts in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/1/2012	\$123,425	\$185,014	\$61,589	66.7%	\$25,833	238.4%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 3 – Funded Status and Funding Progress (continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	5 Year smoothed market
Actuarial assumptions:	
Investment rate of return*	8%
Projected salary increases*	4.25% - 7.5% varying by service
*Includes inflation at	3.50%
Cost of living adjustments	2.00%

Note 4 – Contributions

Actual Contributions

The actual employer contributions for active employees for the years ended September 30, 2013 and 2012 amounted to \$6,332,731 and \$5,801,971, respectively, and the actual amount of covered payroll was approximately \$25,900,000 and \$26,100,000, respectively. The actual member contributions for the years ended September 30, 2013 and 2012 amounted to \$2,524,533 and \$2,572,184, respectively.

2013		
	Amount	Percent of Actual Covered Annual Payroll
Employer contributions consisted of:		
City	\$ 5,944,472	22.95%
Broward County – Sheriff	366,414	1.42
Broward County – Library	21,845	0.08
Total employer contributions	\$ 6,332,731	24.45%

	Amount	Percent of Actual Covered Annual Payroll
Member contributions consisted of:		
Plan members (net of buybacks)	\$ 2,524,533	9.75%
Total member contributions	\$ 2,524,533	9.75%

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 4 – Contributions (continued)

Actual Contributions (continued)

	2012	
	Amount	Percent of Actual Covered Annual Payroll
Employer contributions consisted of:		
City	\$ 5,419,858	20.77%
Broward County – Sheriff	360,687	1.38
Broward County – Library	21,426	0.08
Total employer contributions	\$ 5,801,971	22.23%
	Amount	Percent of Actual Covered Annual Payroll
Member contributions consisted of:		
Plan members (net of buybacks)	\$ 2,572,184	9.86%
Total member contributions	\$ 2,572,184	9.86%

Actuarially Determined Contributions

The contributions required from the City and other contributing entities for the fiscal years ended September 30, 2013 and 2012, were actuarially determined using valuation dates of October 1, 2011 and 2010, respectively. The actuarially computed annual covered payroll used in the October 1, 2011, valuation was approximately \$26,200,000 and the actuarially computed annual covered payroll used in the October 1, 2010 valuation was approximately \$26,600,000.

The amounts cover the following:

	2013	
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	\$ 2,817,485	10.75%
Amortization of the unfunded frozen		
Actuarial accrued liability	3,493,401	13.34
Total	\$ 6,310,886	24.09%
	2012	
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	\$ 2,749,287	10.33%
Amortization of the unfunded frozen		
Actuarial accrued liability	3,031,258	11.40
Total	\$ 5,780,545	21.73%

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 5 – Deposit and Investment Risk Disclosures

Investment Authorization

The Plan's investment policy is determined by the Board of Trustees. The policy has been identified by the Board as having the greatest expected investment return, and the resulting positive impact on asset values, funded status, and benefits, without exceeding a prudent level of risk. The Trustees are authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account.

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 70% (at market) of the Plan's total asset value with no more than 5% of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks of foreign companies shall be limited to 25% (at cost) of the value of the portfolio.

No more than 25% of the equity securities are to be invested in small or mid-cap stocks and shares of stock in those corporations whose stock has been publicly traded for less than one year are limited to 15% of the equity portfolio.

The average credit quality of the bond portfolio shall be "A" or higher and the duration of the fixed income portfolio should be less than 135% of the duration of the market index defined as the Barclays U.S. Aggregate Bond Index. The fixed income portfolio shall be comprised of securities rated "BBB" or higher by Standard & Poors rating services should be less than 15% of the entire fixed income portfolio with no more than 5% at cost of an investment manager's total fixed income portfolio invested in the securities of a single corporate issuer.

Types of Investments

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments.

The current target allocation of these investments at market is as follows:

Authorized investments	Target % of portfolio
Domestic equities	35%
International equities	15%
Equities (small/mid cap)	10%
Fixed income	20%
Direct real estate	10%
Absolute return *	10%

* Absolute return strategies may include but not be limited to infrastructure, maritime, tactical asset allocation, TIPS, or market neutral.

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 5 – Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

Interest rate risk 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. As a means of limiting its' exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity at September 30:

2013					
Investment Maturities					
(in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 2,050,835	\$ -	\$ 228,119	\$ 470,250	\$ 1,352,466
U.S. agencies	7,514,898	120	398,649	404,323	6,711,806
Corporate bonds and notes	14,347,812	2,921,361	5,409,315	1,977,899	4,039,237
	\$ 23,913,545	\$ 2,921,481	\$ 6,036,083	\$ 2,852,472	\$ 12,103,509

2012					
Investment Maturities					
(in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 1,149,900	\$ -	\$ -	\$ -	\$ 1,149,900
U.S. agencies	7,070,372	-	409,347	219,539	6,441,486
Corporate bonds and notes	14,351,030	2,588,624	3,198,754	4,107,472	4,456,180
	\$ 22,571,302	\$ 2,588,624	\$ 3,608,101	\$ 4,327,011	\$ 12,047,566

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following table discloses Standard & Poor credit ratings by investment type, at September 30, 2013 and 2012, as applicable:

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 5 – Deposit and Investment Risk Disclosures (continued)

Credit Risk (continued)

	2013		2012	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 9,565,733	40%	\$ 8,220,272	36.42%
Quality rating of credit risk debt securities				
AAA	1,467,971	6.14	1,788,951	7.93
AA+	673,713	2.82	903,261	4.00
AA	500,516	2.09	-	-
AA-	153,337	0.64	172,193	0.76
A+	1,461,707	6.11	1,630,450	7.22
A	4,356,858	18.22	3,794,167	16.81
A-	3,939,538	16.47	3,563,352	15.79
BBB+	959,674	4.01	1,335,946	5.92
BBB	781,203	3.27	1,110,548	4.92
BBB-	53,295	0.22	52,162	0.23
Total credit risk debt				
Securities	\$ 14,347,812	60.00	\$ 14,351,030	63.58
Total fixed income securities	\$ 23,913,545	100.00%	\$ 22,571,302	100.00%

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net position at September 30, 2013 and 2012.

Custodial Credit Risk

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk 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 are uninsured, are not registered in the name of the Plan and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

Consistent with the Plan's investment policy, the investments are held by the Plan's custodial bank and registered in the Plan's name. All of the Plan's deposits are insured and or collateralized by a financial institution separate from the Plan's depository financial institution.

Note 6 – Pension Plan

The Plan has a 401(a) plan covering eligible employees. The semi-monthly contribution to the plan is based on a specified percentage of the eligible employees' compensation. The Plan's contribution percentage is 10% for all employees. Total pension expense amounted to \$18,881 and \$18,583 for the years ended September 30, 2013 and 2012, respectively, and is included in administrative expenses in the statement of changes in plan net position.

City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2013 and 2012

Note 7 – Property and Equipment

Property and equipment consist of the following at September 30, 2013 and 2012:

	Estimated Useful Life	2013	2012
Office equipment	5	\$ 2,780	\$ -
Leasehold improvements	6	-	32,962
Less: accumulated depreciation		-	(32,962)
Net		\$ 2,780	\$ -

Depreciation expense for the years ended September 30, 2013 and 2012 was \$0 and \$5,493, respectively.

Note 8 – Commitments

Operating Leases

The Plan renewed the operating lease for its office space on October 1, 2012. The new lease term is for 84 months expiring in September, 2019 with monthly base rent of approximately \$1,600. Also, in accordance with the new lease the base rent under the lease is to be increased by 3% on October 1st of each year. The office space lease requires the payment of maintenance, insurance and property taxes.

The following is a schedule of the future minimum lease payments under these leases:

For the year ending September 30,	Amount
2014	\$ 20,894
2015	21,316
2016	20,375
2017	20,289
2018	20,289
2019	20,148
	\$ 123,311

During the years ended September 30, 2013 and 2012, rent expense under lease agreements amounted to \$37,392 and \$44,622, respectively.

Future financial commitment

The future financial commitments outstanding for private equity investments at September 30, 2013 and 2012 were approximately \$3,725,000 and \$4,468,000, respectively.

Required Supplementary Information

The City of Pompano Beach
General Employees' Retirement System
Required Supplementary Information - Unaudited
September 30, 2013

Schedule "1"
Schedule of Funding Progress
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/01/07	\$ 118,773	\$ 143,587	\$ 24,814	82.7	\$ 26,692	93.0%
10/01/08	124,869	152,425	27,556	81.9	27,478	100.3
10/01/09	118,955	161,585	42,630	73.6	27,477	155.1
10/01/10	126,103	169,995	43,892	74.2	26,597	165.0
10/01/11	125,170	179,688	54,518	69.7	26,238	207.8
10/01/12	123,425	185,014	61,589	66.7	25,833	238.4

Schedule "2"
Schedule of Contributions by Employer and Other Contributing Entities

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2008	\$ 3,415,550	100%
2009	3,704,693	100
2010	4,337,004	100
2011	5,349,396	100
2012	5,780,545	100
2013	6,310,886	100

Other Supplementary Schedules

The City of Pompano Beach General Employees Retirement System
Other Supplementary Schedules of Investment Expenses and Administrative Expenses
For the Years Ended September 30, 2013 and 2012

	2013	2012
Schedule "1"		
Schedule of Investment Expenses		
Financial management expenses		
JPMorgan Investment Management, Inc.	\$ 248,157	\$ 248,222
DePrince, Race and Zollo, Inc.	96,140	82,347
Richmond Capital	76,679	68,511
Buckhead Capital	-	39,219
Atlanta Capital	74,045	24,993
Munder Capital	66,521	55,982
Stralem & Company	105,471	99,215
RhumbLine Advisers	13,252	11,157
Total financial management expenses	680,265	629,646
Investment consultant fees		
Southeastern Advisory Services, Inc.	79,343	70,133
Investment custodial fees		
Salem Trust Company	46,273	51,143
Total investment expenses	\$ 805,881	\$ 750,922
Schedule "2"		
Schedule of Administrative Expenses		
Personnel services		
Salaries and payroll taxes	\$ 202,142	\$ 203,239
Employee benefits	44,732	43,485
Total personnel services	246,874	246,724
Professional services		
Legal	39,332	51,795
Actuarial	25,500	19,033
Audit	23,600	21,731
Medical fees	2,590	(16)
Total professional services	91,022	92,543
Other		
Trustee expense	40,450	42,943
Rent	37,392	44,622
Insurance	27,023	24,001
Staff expense	8,853	9,373
Printing and office expense	9,012	6,726
Computer expense	9,281	8,000
Depreciation	-	5,493
Postage	1,355	1,491
Telephone	6,139	5,836
Dues & subscriptions	2,415	2,390
Total other	141,920	150,875
Total administrative expenses	\$ 479,816	\$ 490,142

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



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

Board of Trustees
The City of Pompano Beach General Employees' Retirement System
Pompano 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 The City of Pompano Beach General Employees' Retirement System (the "Plan"), which comprise the statement of plan net position as of September 30, 2013, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2013.

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 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 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, 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 (findings of fraud or abuse) that are required to be reported under *Government Auditing Standards*.



**Independent Auditors Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards
(continued)**

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.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
December 17, 2013



Goldstein Schechter Koch
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