THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The City of Pompano Beach General Employees' Retirement System

We have audited the accompanying financial statements of The City of Pompano Beach General Employees' Retirement System, which comprise the statement of fiduciary net position as of September 30, 2017, and the related statement of changes in fiduciary net position for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan'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 Plan'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 City of Pompano Beach General Employees' Retirement System as of September 30, 2017 and the changes in its fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Prior Year Comparative Information

We have previously audited The City of Pompano Beach General Employees' Retirement System's 2016 financial statements, and our report dated December 12, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-7 and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 24-26 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with audited 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 financial statements as a whole.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2017, on our consideration of The City of Pompano Beach General Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The City of Pompano Beach General Employees' Retirement System's internal control over financial reporting and compliance.

Kabat, Schertzer, De La Torre, Taraboulos & Co.

Weston, Florida
December 19, 2017

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the annual financial report presents Management's Discussion and Analysis (MD&A) of The City of Pompano Beach General Employees' Retirement System's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2017. Please read it in conjunction with the Plan financial statements, which immediately follow.

General Overview of the Plan

The Plan was first established on December 8, 1972 and later amended to provide retirement, disability and death benefits for the employees of the City of Pompano Beach, Florida (the City). The Plan is also governed by certain provisions of the Florida Statutes under Chapter 112. The City is the sponsor of this Plan.

There is a Board of Trustees (the Board) in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: the MD&A, the basic financial statements, notes to the financial statements and other required supplemental information.

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

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

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

Financial Highlights

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

- Total net position restricted for pension was $177,325,805 which was 11% greater than 2016 total net position restricted for pension.

- Total contributions were $9,372,720 which was 3% greater than the 2016 contributions.

- Total interest and dividend earnings were $3,144,265 which was 12% greater than the 2016 earnings.

- Net investment income was $21,124,058 which was 48% greater than the 2016 income.

- Benefits paid were $10,925,069 which was 2% greater than the benefits paid during 2016.

Financial Highlights (Continued)

Total contributions coming from The City, employees, Broward County Sheriff's Office and Broward County library for the year were $9,372,720 which was 3% greater than the 2016 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Employees' contributions are made by Tier One members, who contribute at 10% of pensionable gross wages and Tier Two members, who contribute at 7% of pensionable gross wages.

Statement of Fiduciary Net Position

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

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

- Net position restricted for pension at September 30, 2017 was $177,325,805 a 11% increase from net position restricted for pension at September 30, 2016.

- Total investments at September 30, 2017 were $177,123,062 an 11% increase from the investments at September 30, 2016.

	2017	2016	% Change
Cash	$ 15,846	$ 16,164	(2%)
Receivables	325,809	774,995	(58%)
Investments, at fair value	177,123,062	160,234,710	11%
Other assets	2,978	2,978	0%
Total assets	177,467,695	161,028,847	10%
Accounts payable	141,890	160,531	(12%)
Accounts payable - purchase of investments	-	446,018	(100%)
Total liabilities	141,890	606,549	(77%)
Net position restricted for pensions	$ 177,325,805	$ 160,422,298	11%

Statement of Changes in Fiduciary Net Position

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

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

- Revenues (additions to the fiduciary net position) for the Plan were $30,499,282 which was made up of contributions of $9,372,720 plus net investment income of $21,124,058 plus other income of $2,504.

- Expenses (deductions from the fiduciary net position) increased from $13,261,326 during 2016 to $13,595,775 during 2017.

	2017	2016	% Change
Total contributions	$ 9,372,720	$ 9,138,762	3%
Net investment income	21,124,058	14,282,408	48%
Other income	2,504	6,901	(64%)
Total additions	30,499,282	23,428,071	30%
Total deductions	13,595,775	13,261,326	3%
Net increase	16,903,507	10,166,745	66%
Net position restricted for pensions – beginning	160,422,298	150,255,553	7%
Net position restricted for pensions – ending	$ 177,325,805	$ 160,422,298	11%

Asset Allocation

The table below indicates the Plan's investment policy limitations and actual asset allocations as of September 30, 2017:

Type of Investment	Investment Policy	Actual Allocation
Domestic equities	30%-70%	51.47%
International equities	5%-25%	11.51%
Fixed income	10%-35%	13.10%
Real estate	5%-20%	12.15%
Alternatives	5%-20%	8.32%
Cash and cash equivalents	0%-10%	3.45%

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

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

Investment Activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended on June 20, 2017.

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

Financial Analysis Summary

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

Contacting the Plan's Financial Management

This financial analysis is designed to provide the Board, Plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of The City of Pompano Beach General Employees' Retirement System, Madelene L. Klein, Executive Director, 555 S. Andrews Avenue, Suite 106 Pompano Beach, FL 33069.

The City of Pompano Beach
General Employees' Retirement System

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2016)

	2017	2016
ASSETS		
CASH	$ 15,846	$ 16,164
RECEIVABLES:		
Accounts receivable - sale of investments	84,078	506,661
Accrued investment income	241,731	268,334
TOTAL RECEIVABLES	325,809	774,995
INVESTMENTS, AT FAIR VALUE:		
Equity securities	111,566,893	98,354,424
Corporate bonds	12,321,623	15,308,876
Government securities	10,874,090	8,411,278
Real estate	21,527,766	19,265,116
Private equity	14,738,384	13,584,672
Money market funds	6,094,306	5,310,344
TOTAL INVESTMENTS, AT FAIR VALUE	177,123,062	160,234,710
OTHER ASSETS	2,978	2,978
TOTAL ASSETS	177,467,695	161,028,847
LIABILITIES		
ACCOUNTS PAYABLE	141,890	160,531
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	-	446,018
TOTAL LIABILITIES	141,890	606,549
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR PENSIONS:		
Net position restricted for DROP benefits	4,740,314	4,617,252
Net position restricted for defined benefits	172,585,491	155,805,046
TOTAL NET POSITION RESTRICTED FOR PENSIONS	$ 177,325,805	$ 160,422,298

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

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2016)

	2017	2016
ADDITIONS:		
Contributions:		
City	$ 6,417,918	$ 6,153,050
Employees	2,617,652	2,593,355
Broward County Sheriff's Office	324,072	371,559
Broward County - library	13,078	20,798
Total contributions	9,372,720	9,138,762
Investment income:		
Net appreciation in fair value of investments	18,725,457	12,241,967
Interest and dividend income	3,144,265	2,814,819
Total investment income	21,869,722	15,056,786
Less: investment expenses	745,664	774,378
Net investment income	21,124,058	14,282,408
Other income	2,504	6,901
TOTAL ADDITIONS	30,499,282	23,428,071
DEDUCTIONS:		
Benefits paid directly to retirees	10,925,069	10,677,410
Benefits paid from DROP	2,072,245	1,858,920
Refund of contributions	122,787	198,760
Administrative expenses	475,674	526,236
TOTAL DEDUCTIONS	13,595,775	13,261,326
NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS	16,903,507	10,166,745
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	160,422,298	150,255,553
NET POSITION RESTRICTED FOR PENSIONS - ENDING	$ 177,325,805	$ 160,422,298

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

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

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

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NOTE 2. DESCRIPTION OF THE PLAN

The following description of The City of Pompano Beach General Employees' Retirement System (the Plan) provides only general information. Participants should refer to the City's ordinance for more complete information.

General

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 December 8, 1972. The Plan reflects the provisions and requirements of City Code 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.

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Plan Membership

At September 30, 2017, pension plan membership consisted of the following:

Retirees and beneficiaries	430
Terminated employees entitled to benefits but not receiving them	26
Fully vested, partially vested and non-vested active employees covered by the Plan	477
	933

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.

Eligibility

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.

Benefits

➢ ***All Members***

Normal retirement is at the earlier of attainment of age 55 and 20 completed years of credited service or age 62 and 3 completed years of credited service. Several benefit options are available to members that are elected at time of retirement. Early retirement, disability, death and other benefits are also provided. General employees have vested benefits after 7 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.

➢ ***Normal Retirement Benefit***

- ***Tier One Members***

The normal retirement benefit is calculated by multiplying 2.75% of the average monthly salary by the years of credited service. Average monthly salary is the average of the highest completed 78 biweekly pay periods multiplied by 1.0048.

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

- ***Normal Retirement Benefit*** (Continued)

  - ***Tier Two Members***

    The normal retirement benefit is calculated by multiplying 2.00% of the average monthly salary by the years of credited service. Average monthly salary is the average of the highest completed 130 biweekly pay periods multiplied by 1.0048.

- ***Maximum Benefit***

  The maximum is $90,000 per year (indexed) at age 62, or 100% of average monthly salary (such earnings to exclude picked-up employee contributions per Sec. 414(h)(2), deferred compensation per Sec 457, and amounts deferred under Sec 125).

- ***Early Retirement Benefit***

  - ***Tier One Members***

    Early retirement benefit is calculated using 2.75% of average monthly salary multiplied by the years of service. Benefits are actuarially reduced for early retirement.

  - ***Tier Two Members***

    Early retirement benefit is calculated using 2.00% of average monthly salary multiplied by the years of service. Benefits are actuarially reduced for early retirement.

- ***Delayed Retirement Benefit***

  - ***Tier One Members***

    Delayed retirement benefit is calculated using 2.75% of average monthly salary multiplied by the years of service.

  - ***Tier Two Members***

    Delayed retirement benefit is calculated using 2.00% of average monthly salary multiplied by the years of service

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

- ***Deferred Retirement Option Plan***

  Members who are 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***

  - ***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).

Funding

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.

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.

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

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Rate of Return

For the year ended September 30, 2017, the annual money-weighted rate of return on Plan investments, net of investment expense was 13.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3. INVESTMENTS

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The investment policy statement was last amended on June 20, 2017. The following was the Board's adopted asset allocation policy as of September 30, 2017:

Type of Investment	Target Allocation
Domestic equities	30%-70%
International equities	5%-25%
Fixed income	10%-35%
Real estate	5%-20%
Alternatives	5%-20%
Cash and cash equivalents	0%-10%

During the year ended September 30, 2017 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $18,725,457 (reported as net appreciation in fair value of investments in the accompanying statement of changes in fiduciary net position) as follows:

Common stock	$ 7,408,493
Private equity funds	(142,590)
Real estate	1,763,790
Mutual funds	10,370,531
Corporate bonds	(407,018)
Government securities	(267,749)
Total	$ 18,725,457

The term "interest risk" refers to the portfolio's exposure to fair value losses arising from increasing interest rates. Interest rate risk disclosures are required for all debt investments, as well as investments in mutual funds, external investment pools and other pooled investments that do not meet the definition of a 2a7-like pool.

NOTE 3. INVESTMENTS (Continued)

The Plan's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan's investments in corporate bonds, government securities and fixed income mutual funds had maturities as follows:

Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Corporate bonds	$ 12,321,623	$ 721,869	$ 9,279,011	$ 2,004,130	$ 316,613
U.S. treasuries	3,614,002	-	792,297	2,821,705	-
U.S. agencies	7,260,088	-	25,714	252,232	6,982,142
Totals	$ 23,195,713	$ 721,869	$ 10,097,022	$ 5,078,067	$ 7,298,755

The term "credit risk" is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Plan's fixed income portfolio was rated by Moody's Investors Services as follows:

Rating	Fair Value
A1	$ 1,868,095
A2	1,653,855
A3	3,062,637
AA2	627,085
AA3	370,232
AAA	4,182,619
BAA1	2,703,556
BAA2	1,044,079
BAA3	128,794
WR	95,550
Government securities	7,459,211
Total	$ 23,195,713

The Plan limits investment in the securities of any one issuer, other than the US Government and its agencies, to no more than 5% of fiduciary net position. The Plan had no such investments as of September 30, 2017.

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than US Dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan owns participation in international equity funds as well as individual securities. The investment policy limits the foreign investments to no more than 25% of the Plan's investment balance. As of year-end, the foreign investments were 11.51% of total investments.

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

Level 3- Inputs to the valuation methodology are based upon unobservable inputs.

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

Common stock: Valued at the closing price reported on the New York Stock Exchange.

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

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

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

Private equity: Valued based on the net asset value (NAV). The most significant input into the NAV is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly basis, in conjunction with management and investment advisors. The Plan has holdings in two limited partnerships.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2017:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity securities:				
Common stocks	$ 49,993,057	$ 49,993,057	$ -	$ -
Mutual funds	61,573,836	61,573,836	-	-
Total equity securities	111,566,893	111,566,893	-	-
Debt securities:				
U.S. treasury securities	3,614,002	3,614,002	-	-
U.S. agency securities	7,260,088	-	7,260,088	-
Corporate bonds	12,321,623	-	12,321,623	-
Total debt securities	23,195,713	3,614,002	19,581,711	-
Total investments by fair value level	134,762,606	$ 115,180,895	$ 19,581,711	$ -
Investments measured at the net asset value (NAV) [(a)]				
Real estate	21,527,766			
Private equity	14,738,384			
Total investments measured at the NAV	36,266,150			
Money market funds (exempt)	6,094,306			
Total investments	$ 177,123,062			

(a) As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the statement of fiduciary net position.

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Real estate [1]	$ 19,689,685	$ -	Quarterly	45 Days
Real estate [2]	1,838,081	-	Quarterly	10 Days
Private equity [3]	3,218,665	136,594	N/A	N/A
Private equity [4]	11,519,719	-	N/A	N/A
Total investments measured at the NAV	$ 36,266,150	$ 136,594		

(1) Real estate fund: This fund is an open-end, commingled real-estate fund consisting primarily of real estate properties in the multifamily, industrial, office, retail and hotel sector. The investment is valued at NAV and redemption requests must be received by the fund 45 days prior to quarter-end.

(2) Real estate fund: This fund is an open-end, commingled investment vehicle with a multi-disciplinary investment strategy. Diversified nationally, the foundation of the portfolio is to acquire yield-driven assets consisting of all property types. The investment is valued at NAV and redemption request must be received by the fund 10 days prior to quarter end

(3) Private equity fund: This fund seeks to acquire and structure private equity portfolios of private equity partnerships and underlying portfolio companies. The investment is valued at NAV.

(4) Private equity fund: This fund seeks to acquire and structure private equity portfolios of private equity partnerships and underlying portfolio companies. The investment is valued at NAV.

NOTE 5. ACTUARIAL VALUATION

The most recent actuarial valuation was done as of October 1, 2016. Entry age normal was used as the actuarial cost method. The amortization method used was the level percentage closed method and 30 years was used for the amortization period. The five year smoothed market value method was used for asset valuation.

The mortality tables used were as follows:

Pre-Retirement Mortality – Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB; Male: RP2000 Generational, 50% Combined Healthy White Collar/50% Combined Healthy Blue Collar, Scale BB

NOTE 5. ACTUARIAL VALUATION (Continued)

Post-Retirement Healthy Mortality – Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB; Male: RP2000 Generational, 50% Annuitant White Collar/50% Annuitant Blue Collar, Scale BB

Post-Retirement Disabled Mortality – Female: 100% Disabled Female set forward two years, no projection scale; Male: RP2000, 100% Disabled Male setback four years, no projection scale

Principal assumptions used were 7.90% for the investment rate of return, 4.25% to 7.50% for projected salary increases and 3.5% for inflation.

The actuary further determined that the required City contribution for the year ended September 30, 2017 was $6,417,918. This amount was contributed in full during the year ended September 30, 2017.

NOTE 6. RISKS AND UNCERTAINTIES

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

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

NOTE 7. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the City at September 30, 2017 were as follows:

Total pension liability	$ 244,011,049
Plan fiduciary net position	177,325,805
City's net pension liability	$ 66,685,244

Plan fiduciary net position as a percentage of the total pension liability	72.67%

The total pension liability, required to be reported under Governmental Accounting Standards, was determined by an actuarial valuation as of September 30, 2017 using certain actuarial assumptions, the most significant of which were 7.90% for the investment rate of return, 4.25% to 7.50% for projected salary increases and 3.50% for inflation.

Mortality rates were based on the RP2000 Generational for males and females.

NOTE 7. NET PENSION LIABILITY OF THE PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic equity	47.10%	7.60%
International equity	14.20%	8.10%
Fixed income	18.30%	4.08%
Real estate	9.30%	6.61%
Infrastructure	9.50%	7.47%
Cash	1.60%	2.00%

The discount rate used to measure the total pension liability was 7.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the City was calculated using the discount rate of 7.90%. It was also calculated using a discount rate that was 1-percentage-point lower (6.90%) and 1-percentage-point higher (8.9%) and the different computations were compared.

	1% decrease (6.90%)	Current discount rate (7.90%)	1% increase (8.90%)
Net pension liability	$ 95,013,085	$ 66,685,244	$ 42,942,402

NOTE 8. INCOME TAXES

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

On December 12, 2016, the Plan obtained its most recent determination letter in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with applicable requirements of Internal Revenue Code 401(a), and therefore, no provision for federal income taxes has been made.

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

NOTE 9. LEASE COMMITMENT

During 2012, the Plan entered into a lease agreement with 555 Andrews, LLC for rental of office space. The lease agreement is classified as an operating lease. For the year ended September 30, 2017, rent expense was $39,801. The following is a schedule of approximate future minimum lease payments required under the agreement:

Year	Amount
2018	$ 41,591
2019	42,252
	$ 83,843

NOTE 10. PENSION PLANS

The Plan's employees are covered under a 401(a) pension plan. Contributions were made to the pension plan at a 10% rate of gross payroll. For the year ended September 30, 2017, the pension expense, which is included in employee benefits expense, was $21,259.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Plan through December 19, 2017, the date the financial statements were available to be issued.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2017

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2016)

	2017	2016
PERSONNEL SERVICES:		
Salaries and payroll taxes	$ 227,286	$ 220,483
Employee benefits	59,164	53,703
TOTAL PERSONNEL SERVICES	$ 286,450	$ 274,186
PROFESSIONAL SERVICES:		
Legal	$ 36,819	$ 63,909
Actuarial	27,364	35,965
Audit	10,421	11,235
TOTAL PROFESSIONAL SERVICES	$ 74,604	$ 111,109
OTHER EXPENSES:		
Trustee expense	$ 21,312	$ 36,895
Rent	39,801	39,173
Insurance	17,335	17,617
Repairs and maintenance	10,841	14,373
Staff expense	4,131	11,412
Printing and office expense	13,147	9,798
Telephone	5,052	4,805
Miscellaneous	3,001	4,368
Tax determination letter fee	-	2,500
TOTAL OTHER EXPENSES	$ 114,620	$ 140,941
TOTAL ADMINISTRATIVE EXPENSES	$ 475,674	$ 526,236

The accompanying independent auditor's report should be read with this supplemental schedule.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS
(UNAUDITED)

	2017	2016	2015	2014	2013
Actuarially determined employer contribution	$ 6,755,068	$ 6,545,407	$ 6,669,132	$ 6,697,862	$ 6,332,731
Actual employer contribution	6,755,068	6,545,407	6,669,132	6,697,862	6,332,731
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 28,647,136	$ 27,957,210	$ 27,015,680	$ 26,048,410	$ 25,922,708
Actual contributions as a percentage of covered-employee payroll	23.58%	23.41%	24.69%	25.71%	24.43%

	2012	2011	2010	2009	2008
Actuarially determined employer contribution	$ 5,801,971	$ 5,351,521	$ 4,338,870	$ 3,706,870	$ 3,416,488
Actual employer contribution	5,801,971	5,351,521	4,338,870	3,706,870	3,416,488
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 25,833,472	$ 26,238,403	$ 26,596,532	$ 27,477,396	$ 27,611,132
Actual contributions as a percentage of covered-employee payroll	22.46%	20.40%	16.31%	13.49%	12.37%

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	1 to 30 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increase	4.25% to 7.50%, including inflation
Investment rate of return	7.90%, net of pension plan investment expense, inflation adjusted
Mortality	RP2000 Generational for males and females

The accompanying independent auditor's report should be read with this supplemental schedule.

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

Year Ended September 30	Annual money-weighted rate of return net of investment expense
2017	13.3%
2016	9.7%
2015	(0.1%)
2014	10.4%
2013	16.5%
2012	16.9%
2011	2.0%
2010	6.9%
2009	(5.1%)
2008	(16.0%)

The accompanying independent auditor's report should be read with this supplemental schedule.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
(UNAUDITED)

	2017	2016	2015	2014
TOTAL PENSION LIABILITY:				
Service cost	$ 4,125,985	$ 4,065,485	$ 3,971,996	$ 4,002,187
Interest	17,193,735	16,453,581	15,846,713	15,228,081
Benefit changes	-	62,449	-	-
Difference between actual and expected experience	(1,530,189)	1,438,845	402,266	-
Changes of assumptions	19,985,869	-	-	-
Benefit payments	(12,997,314)	(12,536,330)	(12,286,072)	(10,047,279)
Refunds	(122,787)	(198,760)	(238,755)	(362,250)
NET CHANGE IN TOTAL PENSION LIABILITY	26,655,299	9,285,270	7,696,148	8,820,739
TOTAL PENSION LIABILITY - BEGINNING	217,355,750	208,070,480	200,374,332	191,553,593
TOTAL PENSION LIABILITY - ENDING	244,011,049	217,355,750	208,070,480	200,374,332
PLAN FIDUCIARY NET POSITION:				
Contributions - Employer	$ 6,755,068	$ 6,545,407	$ 6,669,132	$ 6,697,862
Contributions- Member	2,617,652	2,593,355	2,562,901	2,515,665
Net investment income (loss)	21,126,562	14,289,309	(235,039)	12,478,865
Benefit payments	(12,997,314)	(12,536,330)	(12,286,072)	(10,047,279)
Refunds of contributions	(122,787)	(198,760)	(238,755)	(362,250)
Administrative expenses	(475,674)	(526,236)	(530,248)	(491,959)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	16,903,507	10,166,745	(4,058,081)	10,790,904
PLAN FIDUCIARY NET POSITION - BEGINNING	160,422,298	150,255,553	154,313,634	143,522,730
PLAN FIDUCIARY NET POSITION - ENDING	177,325,805	160,422,298	150,255,553	154,313,634
NET PENSION LIABILITY - ENDING	$ 66,685,244	$ 56,933,452	$ 57,814,927	$ 46,060,698
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	72.67%	73.81%	72.21%	77.01%
COVERED EMPLOYEE PAYROLL	$ 28,647,136	$ 27,957,210	$ 27,015,680	$ 26,048,410
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	232.78%	203.64%	214.01%	176.83%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

COMPLIANCE REPORT

SEPTEMBER 30, 2017

KABAT · SCHERTZER
DE LA TORRE · TARABOULOS
&
COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANICAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
The City of Pompano Beach General Employees' Retirement System

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, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise The City of Pompano Beach General Employees' Retirement System 's basic financial statements, and have issued our report thereon dated December 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City of Pompano Beach General Employees' Retirement System'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 City of Pompano Beach General Employees' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Pompano Beach General Employees' Retirement System's internal control.

A deficiency in internal control exists when the design or operations 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 The City of Pompano Beach General Employees' Retirement System'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.

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DE LA TORRE · TARABOULOS
&
COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANICAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Pompano Beach General Employees' Retirement System financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and 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 The City of Pompano Beach General Employees' Retirement System'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 The City of Pompano Beach General Employees' Retirement System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & CO.

Weston, Florida
December 19, 2017