



**City of Palm Bay
Police and Firefighters' Retirement System**

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



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**City of Palm Bay Police and Firefighters’
Retirement System
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Independent Auditors' Report

Board of Trustees
City of Palm Bay Police and Firefighters' Retirement System
Palm Bay, Florida

We have audited the accompanying financial statements of the City of Palm Bay Police and Firefighters' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Palm Bay Police and Firefighters Retirement System as of September 30, 2013 and 2012, and the changes in plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.



**Independent Auditors' Report
(continued)**

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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying supplemental 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. 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 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
January 17, 2014



Management's Discussion and Analysis

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

Our discussion and analysis of the City of Palm Bay Police and Firefighters' Retirement System (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 its liabilities at the close of fiscal years ended September 30, 2013 and 2012 by \$147,608,767 and \$132,410,945, respectively, (reported as net position held in trust for pension benefits). Net position is held in trust to meet future benefit payments. The increase of \$15,197,822 and \$16,849,225, respectively, has 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 actuarial accrued pension benefit liability, changed from 86.7% as of the October 1, 2010 actuarial valuation to 80.0% as of the October 1, 2011 valuation and 81.6% as of the October 1, 2012 valuation.
- For the fiscal year ended September 30, 2013, receivables decreased \$1,116,107 (or 39.6%) due primarily to a decrease in receivable for securities sold.

For the fiscal year ended September 30, 2012, receivable increase \$2,452,961 (or 670.6%) due to primarily to an increase in due from broker.

- For the fiscal year ended September 30, 2013, employer contributions to the Plan, increased \$1,607,847 (or 137%). Actual employer contributions as determined by the Plan's actuary were \$2,781,773 and \$1,173,926 for 2013 and 2012, respectively.

For the fiscal year ended September 30, 2012, employer contributions to the Plan, decreased \$875,948 (or 42.7%). Actual employer contributions as determined by the Plan's actuary were \$1,173,926 and \$2,049,874 for 2012 and 2011, respectively.

- For the fiscal year ended September 30, 2013, employee contributions including buybacks decreased by \$82,359 (or 7.3%). Actual employee contributions, including buybacks and employee purchases for additional pensionable compensation, were \$1,038,855 and \$1,121,214 for 2013 and 2012, respectively. Employee contributions have fluctuated from year to year, based on the number of active members, salaries and buyback contributions.

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

Financial Highlights - continued

For the fiscal year ended September 30, 2012, employee contributions including buybacks decreased by \$144,612 (or 11.4%). Actual employee contributions, including buybacks and employee purchases for additional pensionable compensation, were \$1,121,214 and \$1,265,826 for 2012 and 2011, respectively. Employee contributions have fluctuated from year to year, based on the number of active members, salaries and buyback contributions.

- For the fiscal year ended September 30, 2013, the Plan had a net investment income of \$18,353,312 compared to net investment income of \$20,484,048 for the fiscal year ended September 30, 2012. Actual results were \$16,775,944 and \$18,361,144 of net appreciation in fair value of investments for the fiscal years ended 2013 and 2012, respectively, and \$3,373,794 and \$3,609,429 of income from interest and dividends for the fiscal years ended 2013 and 2012, respectively. Deferred Retirement Option Plan participants had earnings of \$1,053,080 and \$856,802 for the fiscal years ended 2013 and 2012, respectively. Investment expenses increased by \$113,623 (or 18%).

For the fiscal year ended September 30, 2012, the Plan had net investment income of \$20,484,048 compared to net investment loss of \$372,815 for the fiscal year ended September 30, 2011. Actual results were \$18,361,144 and (\$1,579,020) of net appreciation (depreciation) in fair value of investments for the fiscal years ended 2012 and 2011, respectively, and \$3,609,429 and \$1,522,532 of income from interest and dividends for the fiscal years ended 2012 and 2011, respectively. Deferred Retirement Option Plan participants had earnings (losses) of \$856,802 and (\$50,551) for the fiscal years ended 2012 and 2011, respectively. Investment expenses increased by \$262,845 or 71.6%.

- For the fiscal year ended September 30, 2013, benefit payments increased by \$1,179,510 (or 18.2%). Refunds of contributions decreased by \$65,530 (or 42.9%). Police refunds represented approximately 52.5% of total refunds.

For the fiscal year ended September 30, 2012, benefit payments increased by \$924,614 (or 16.6%). Refunds of contributions increased by \$23,084 or 17.8%. Police refunds represented approximately 95% of total refunds.

- For the fiscal year ended September 30, 2013, administrative expenses decreased by \$39,370 from 2012 (or 8.8%) due primarily to a decrease in payments for professional services and a decrease in payments for occupancy costs.

For the fiscal year ended September 30, 2012, administrative expenses increased by \$124,383 from 2011 (or 38.3%). The primary reason for this increase was the relocation of the Plan's offices.

Plan Highlights

The Palm Bay Police and Firefighters Retirement System was formed in 1974 and celebrated its 39th year as a plan in 2013. The projected trends reflect an increase in normal membership retirements and Deferred Retirement Option Program (DROP) participation of members reaching normal retirement of age 55 or 25 years of service years of service, regardless of age.

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

Plan Highlights - continued

The Palm Bay Police and Firefighters Retirement System has consistently achieved, in most cases, its one to ten year fiduciary goals and objectives. The board continues to offer increased availability and service to active and retired police officers and firefighters, still providing a community-minded responsible board making sound, informed financial decisions in the best interest of the membership and the City.

The total market return for the year ended September 30, 2013 was 14.1%. The domestic equity portfolio returned 22.8% while the international equity return was 18.9%. The returns for other investment asset categories for the year included convertible securities (18.9%), real estate (15.2%) and the market loss for fixed income was 2.2%. Further diversification continues to be a Plan objective. Overall, actual net returns from investments were positive in 2013 primarily due to volatile financial markets.

The total market return for the year ended September 30, 2012 was 17.9%. The domestic equity portfolio returned 29.1% while the international equity return was 19.0%. The returns for other investment asset categories for the year included convertible securities (17.1%), real estate (12.4%) and fixed income (5.4%). Further diversification continues to be a Plan objective. Overall, actual net returns from investments were positive in 2012 primarily due to volatile financial markets.

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 entity.

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 position are summarized in this statement. The additions include contributions to the retirement plans from employers and members (employees) 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 members (employees) 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.

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

Description of the Financial Statements - continued

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 Entity* 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.

Statements of Plan Net Position

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

	2013	2012	Increase/ (Decrease)	% Change
Cash and cash equivalents	\$ 5,466,365	\$ 6,058,834	\$ (592,469)	(9.8)%
Receivables	1,702,652	2,818,759	(1,116,107)	(39.6)
Investments	152,907,005	134,772,637	18,134,368	13.5
Other assets	22,697	20,434	2,263	11.1
Total assets	160,098,719	143,670,664	16,428,055	11.4
Liabilities	12,489,952	11,259,719	1,230,233	10.9
Net position held in trust for pension benefits	\$ 147,608,767	\$ 132,410,945	\$ 15,197,822	11.5%

	2012	2011	Increase/ (Decrease)	% Change
Cash and cash equivalents	\$ 6,058,834	\$ 12,387,333	\$ (6,328,499)	(51.1)%
Receivables	2,818,759	365,798	2,452,961	670.6
Investments	134,772,637	107,717,700	27,054,937	25.1
Other assets	20,434	18,078	2,356	13.0
Total assets	143,670,664	120,488,909	23,181,755	19.2
Liabilities	11,259,719	4,927,189	6,332,530	128.5
Net position held in trust for pension benefits	\$ 132,410,945	\$ 115,561,720	\$ 16,849,225	14.6%

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

Statements of Changes in Plan Net Position

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

	2013	2012	Increase/ (Decrease)	% Change
Additions:				
Contributions				
Employer	\$ 2,781,773	\$ 1,173,926	\$ 1,607,847	137.0%
Employee	1,038,855	1,121,214	(82,359)	(7.3)
State	1,195,740	1,167,285	28,455	2.4
Total contributions	5,016,368	3,462,425	1,553,943	44.9
Net investment income	18,353,312	20,484,048	(2,130,736)	(10.4)
Total additions	23,369,680	23,946,473	(576,793)	(2.4)
Deductions:				
Benefits paid	7,675,094	6,495,584	1,179,510	18.2
Refunds of contributions	87,330	152,860	(65,530)	(42.9)
Administrative expenses	409,434	448,804	(39,370)	(8.8)
Total deductions	8,171,858	7,097,248	1,074,610	15.1
Net increase	15,197,822	16,849,225	(1,651,403)	(9.8)
Net position held in trust for pension benefits at -				
Beginning of year	132,410,945	115,561,720	16,849,225	14.6
Net position held in trust for pension benefits at -				
End of year	\$ 147,608,767	\$ 132,410,945	\$ 15,197,822	11.5%

	2012	2011	Increase/ (Decrease)	% Change
Additions:				
Contributions				
Employer	\$ 1,173,926	\$ 2,049,874	\$ (875,948)	(42.7)%
Employee	1,121,214	1,265,826	(144,612)	(11.4)
State	1,167,285	1,129,432	37,853	3.4
Total contributions	3,462,425	4,445,132	(982,707)	(22.1)
Net investment income (loss)	20,484,048	(372,815)	20,856,863	5,594.4
Total additions	23,946,473	4,072,317	19,874,156	488.0
Deductions:				
Benefits paid	6,495,584	5,570,970	924,614	16.6
Refunds of contributions	152,860	129,776	23,084	17.8
Administrative expenses	448,804	324,421	124,383	38.3
Total deductions	7,097,248	6,025,167	1,072,081	17.8
Net increase (decrease)	16,849,225	(1,952,850)	18,802,075	NM
Net position held in trust for pension benefits at -				
Beginning of year	115,561,720	117,514,570	(1,952,850)	(1.7)
Net position held in trust for pension benefits at -				
End of year	\$ 132,410,945	\$ 115,561,720	\$ 16,849,225	14.6%

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

Statements of Changes in Plan Net Position - continued

The Plan's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns for fiscal year September 30, 2013 decreased from the fiscal year ended September 30, 2012 and increased from fiscal year ended September 30, 2011.

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 the end of the fiscal year September 30, 2013, the domestic equity portion comprised 42% or \$65,772,250 of the total portfolio, which consists of common stocks and domestic equity funds. The allocation to fixed income securities was 22% or \$34,207,394 while cash and cash equivalents comprised 3% or \$5,466,365. The portion of investments allocated to international equity represented 14% or \$22,451,735 of the total portfolio and real estate represented 8% or \$12,693,736, while convertible securities represented 8% or \$12,682,544 of the total portfolio. The allocation of master limited partnership was 3% or \$5,099,346. The 3% in cash and cash equivalents includes a payout expense account to disburse monthly plan expenses and benefit payments. This lowers operating costs of the Plan by reducing fees previously incurred in raising cash on a bi-weekly basis.

At the end of the fiscal year September 30, 2012, the domestic equity portion comprised 44% or \$62,594,868 of the total portfolio. The allocation to fixed income securities was 25% or \$34,778,409 while cash and cash equivalents comprised 4% or \$6,058,834. The portion of investments allocated to international equity represented 11% or \$15,880,210 of the total portfolio and real estate represented 8% or \$11,044,640, while convertible securities represented 8% or \$10,474,510 of the total portfolio. The 4% in cash and cash equivalents includes a payout expense account to disburse monthly plan expenses and benefit payments. This lowers operating costs of the Plan by reducing fees previously incurred in raising cash on a bi-weekly basis.

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

2013	2012	
35%	40%	Domestic equity
25%	25%	Fixed income
10%	10%	Real estate
15%	15%	International equity
10%	10%	Convertible securities
5%	-	Master Limited Partnership

Contacting the Plan's Financial Management

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Palm Bay Police and Firefighters Retirement System, 1501 Robert J. Conlan Boulevard, Suite 240, Palm Bay, FL 32905 or call (321) 724-8877.

City of Palm Bay Police and Firefighters

Retirement System

Statement of Plan Net Position

September 30, 2013

	Police Officers	Fire Fighters	General Employees	Total
Assets				
Cash and cash equivalents	\$ 3,129,327	\$ 2,335,023	\$ 2,015	\$ 5,466,365
Investments, at fair value:				
Common stocks	34,190,618	25,411,101	-	59,601,719
Domestic equity funds	3,573,282	2,483,128	114,121	6,170,531
U.S. Government securities	14,978,354	11,070,957	-	26,049,311
Corporate bonds	4,657,990	3,445,430	-	8,103,420
Bond funds	-	-	54,663	54,663
International equity funds	11,437,270	11,014,465	-	22,451,735
Real estate funds	6,346,868	6,346,868	-	12,693,736
Convertible securities	6,341,272	6,341,272	-	12,682,544
Master limited partnership	2,549,673	2,549,673	-	5,099,346
Total investments	84,075,327	68,662,894	168,784	152,907,005
Receivables:				
Accrued interest and dividends	156,786	126,031	92	282,909
Due from broker	749,059	530,283	-	1,279,342
State contributions	-	137,127	-	137,127
Other receivables	1,892	1,382	-	3,274
Due to/from other funds	1,681	416	(2,097)	-
Total receivables	909,418	795,239	(2,005)	1,702,652
Other assets	12,914	9,746	37	22,697
Total assets	88,126,986	71,802,902	168,831	160,098,719
Liabilities				
Accounts payable and other liabilities	112,680	90,696	32	203,408
Due to broker	867,065	632,856	-	1,499,921
Prepaid contributions	601,289	1,020,512	-	1,621,801
Deferred retirement option plan payable	2,424,404	6,740,418	-	9,164,822
Total liabilities	4,005,438	8,484,482	32	12,489,952
Net position held in trust for pension benefits (a schedule of funding progress is presented on page 26)				
	\$ 84,121,548	\$ 63,318,420	\$ 168,799	\$ 147,608,767

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

City of Palm Bay Police and Firefighters
Retirement System
Statement of Plan Net Position
September 30, 2012

	Police Officers	Fire Fighters	General Employees	Total
Assets				
Cash and cash equivalents	\$ 3,298,723	\$ 2,758,383	\$ 1,728	\$ 6,058,834
Investments, at fair value:				
Common stocks	32,177,945	22,734,188	-	54,912,133
Domestic equity funds	4,387,083	3,191,967	103,685	7,682,735
U.S. Government securities	14,068,603	10,219,023	-	24,287,626
Corporate bonds	6,042,071	4,388,785	-	10,430,856
Bond funds	-	-	59,927	59,927
International equity funds	7,940,105	7,940,105	-	15,880,210
Real estate funds	5,522,320	5,522,320	-	11,044,640
Convertible Securities	5,237,255	5,237,255	-	10,474,510
Total investments	75,375,382	59,233,643	163,612	134,772,637
Receivables:				
Accrued interest and dividends	187,623	149,469	91	337,183
Due from broker	2,255,175	-	-	2,255,175
Employee contributions	22,717	16,667	-	39,384
Employer contributions	95,553	-	-	95,553
State contributions	-	90,362	-	90,362
Other receivables	573	338	191	1,102
Due to/from other funds	(20,036)	25,483	(5,447)	-
Total receivables	2,541,605	282,319	(5,165)	2,818,759
Other assets	11,585	8,819	30	20,434
Total assets	81,227,295	62,283,164	160,205	143,670,664
Liabilities				
Accounts payable and other liabilities	180,778	352,843	33	533,654
Due to broker	2,952,343	-	-	2,952,343
Prepaid contributions	267,240	699,003	-	966,243
Deferred retirement option plan payable	2,320,819	4,486,660	-	6,807,479
Total liabilities	5,721,180	5,538,506	33	11,259,719
Net position held in trust for pension benefits (a schedule of funding progress is presented on page 26)				
	\$ 75,506,115	\$ 56,744,658	\$ 160,172	\$ 132,410,945

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

City of Palm Bay Police and Firefighters

Retirement System

Statement of Changes in Plan Net Position

Year ended September 30, 2013

	Police Officers	Fire Fighters	General Employees	Total
Additions:				
Contributions:				
Employer	\$ 1,301,877	\$ 1,479,896	\$ -	\$ 2,781,773
Employee	606,160	432,695	-	1,038,855
State	572,954	622,786	-	1,195,740
Total contributions	2,480,991	2,535,377	-	5,016,368
Investment income				
Net appreciation in fair value of investments	9,262,275	7,505,681	7,988	16,775,944
Interest and dividends	1,838,105	1,523,514	12,175	3,373,794
Total investment income	11,100,380	9,029,195	20,163	20,149,738
Less: Investment expenses				
Deferred retirement option plan participants' earnings	410,673	332,673	-	743,346
	296,710	756,370	-	1,053,080
Net investment income	10,392,997	7,940,152	20,163	18,353,312
Total additions	12,873,988	10,475,529	20,163	23,369,680
Deductions:				
Benefits paid	3,980,266	3,685,242	9,586	7,675,094
Refunds of contributions	45,851	41,479	-	87,330
Administrative expenses	232,438	175,046	1,950	409,434
Total deductions	4,258,555	3,901,767	11,536	8,171,858
Net increase	8,615,433	6,573,762	8,627	15,197,822
Net position held in trust for pension benefits:				
Beginning of year	75,506,115	56,744,658	160,172	132,410,945
End of year	\$ 84,121,548	\$ 63,318,420	\$ 168,799	\$ 147,608,767

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

City of Palm Bay Police and Firefighters

Retirement System

Statement of Changes in Plan Net Position

Year ended September 30, 2012

	Police Officers	Fire Fighters	General Employees	Total
Additions:				
Contributions:				
Employer	\$ 879,396	\$ 294,530	\$ -	\$ 1,173,926
Employee	664,917	456,297	-	1,121,214
State	552,802	614,483	-	1,167,285
Total contributions	2,097,115	1,365,310	-	3,462,425
Investment income				
Net appreciation in fair value of investments	10,362,307	7,979,640	19,197	18,361,144
Interest and dividends	1,974,374	1,626,252	8,803	3,609,429
Total investment income	12,336,681	9,605,892	28,000	21,970,573
Less: Investment expenses	350,438	279,285	-	629,723
Deferred retirement option plan participants' earnings	297,041	559,761	-	856,802
Net investment income	11,689,202	8,766,846	28,000	20,484,048
Total additions	13,786,317	10,132,156	28,000	23,946,473
Deductions:				
Benefits paid	3,268,628	3,216,119	10,837	6,495,584
Refunds of contributions	145,440	7,420	-	152,860
Administrative expenses	241,109	206,040	1,655	448,804
Total deductions	3,655,177	3,429,579	12,492	7,097,248
Net increase	10,131,140	6,702,577	15,508	16,849,225
Net position held in trust for pension benefits:				
Beginning of year	65,374,975	50,042,081	144,664	115,561,720
End of year	\$ 75,506,115	\$ 56,744,658	\$ 160,172	\$ 132,410,945

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

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 1 - Description of the Plan

Organization

The City of Palm Bay Police and Firefighters Retirement System (the “Plan”) is a single employer defined benefit plan established by the City of Palm Bay, Florida (the “City”). The Plan reflects the provisions and requirements of Ordinance No. 74-9, as amended. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City’s comprehensive financial report as part of the City’s financial entity. Participants should refer to the Plan summary for more detailed and comprehensive information.

Participants

Participants are the police officers and firefighters with permanent status in the Police and Fire Department of the City of Palm Bay, Florida. General employees were eligible to receive benefits if participating in the Plan prior to the formation of the defined contribution plan for the City general employees. Firefighter members are further divided in the following two tiers.

Tier One members are those firefighters hired prior to March 15, 2012.
Tier Two members are those firefighters hired on or after March 15, 2012.

Membership

As of October 1, 2012 and 2011, membership in the Plan consisted of:

	2012			2011		
	Police Officers	Fire Fighters	General Employees	Police Officers	Fire Fighters	General Employees
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	87	66	5	76	60	5
Current employees:						
Vested	96	68	-	98	69	-
Nonvested	45	28	-	52	32	-
	141	96	-	150	101	-

Contributions

The Plan provides for member employee contributions of 8.76%, for firefighters and police officers of their annual base salary plus certain other compensation items provided by Ordinance, to the Plan.

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 1 - Description of the Plan - continued

Pension Benefits

All participants

All regular full-time certified police officers and firefighters are eligible to participate in the Plan. Benefits vest 50% after five years of service plus 10% per year thereafter to 100% after 10 years. Early retirement, delayed retirement, supplemental, death and disability benefits are also provided.

Police officer members

Normal retirement shall be the earlier of attainment of (1) age 55, (2) completion of 30 years of credited service regardless of age, (3) age 52 with 25 years of credited service, (4) for police officers who are employed on or after October 1, 2006 and retire after that date, 28 years of credited service, regardless of age, or (5) for police officers who are employed on or after April 5, 2012, completion of 25 years of credited service, regardless of age. Average Final Compensation (AFC) is one and a half times the average of the highest five years of the last ten years of credited service. Payments for unused leave are not included in AFC.

Each police officer member with less than 20 years of credited service will have a monthly normal retirement benefit in an amount equal to 2% of the member's AFC multiplied by the member's credited service performed prior to June 1, 1992 and 2½% of the member's AFC multiplied by the member's credited service performed on and after June 1, 1992. For members who have completed 20 years of credited service as sworn police officers, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3% of the member's AFC multiplied by the member's credited service plus 5% of AFC for service after 20 years to a maximum of 100% of the AFC upon the completion of 28 years of service.

Firefighter members

Tier One members

Normal retirement shall be the earlier of attainment of (1) age 55, (2) completion of 25 years of credited service at 85% of AFC or completion of 28 years of credited service regardless of age, or (3) age 52 with 25 years of credited service effective September 30, 2002. Average Final Compensation (AFC) is one and a half times the average of the highest five years of the last ten years of credited service. Payments for unused leave are not included in AFC.

Each firefighter member hired before March 15, 2012, with less than 20 years credited service will have a monthly normal retirement benefit in an amount equal to 2% of the member's AFC multiplied by the member's credited service performed prior to October 1, 1991, and 2½% of the member's AFC multiplied by the member's credited service performed on and after October 1, 1991. For members who have completed 20 years of credited service as a firefighter, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3% of the member's AFC multiplied by the member's credited service plus 5% of AFC for service after 20 years to a maximum of 100% of the AFC upon the completion of 28 years of service.

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 1 - Description of the Plan - continued

Pension Benefits - continued

Tier Two members

Normal retirement shall be the first day of the month coincident with or next following the completion of 25 years of credited regardless of age. Provided, however that a vested member who terminates prior to attaining 25 years of credited service shall be eligible for normal retirement benefits upon reaching age 55 with 10 years of credited service. Average Final Compensation (AFC) is one and a half times the average of the highest five years of the last ten years of credited service. Payments for unused leave are not included in AFC.

Each firefighter member with less than 20 years credited service will have a monthly normal retirement benefit in an amount equal to 2 ½ % of the member's AFC multiplied by the member's credited service. For members who have completed 20 years of credited service as a firefighter, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3.2% of AFC for service after 20 years to a maximum of 90% of the AFC, excluding supplemental benefits.

Deferred Retirement Option Plan (DROP)

Effective September 30, 2000 for police officers and September 30, 2001 for firefighters, members who continue in employment past normal retirement date may either accrue larger pensions or freeze their accrued benefit and enter the DROP. Each participant in the DROP has an account credited monthly with benefits not received and quarterly with investment earnings net of expenses based on the Plan's earnings. The DROP is administered by the Board of Trustees. Participation in the DROP is limited to 60 months.

Supplemental Benefits

Police officer members

Police officers who retire after October 1, 2006 receive a Supplemental Benefit equal to \$25 per month times complete years of Credited Service. The benefit shall cease upon retiree reaching age 65. Members approved for disability retirement are ineligible for the supplemental retirement benefit.

Firefighter members

Tier One members

Firefighters receive a Supplemental Benefit of \$189 per month payable over the life of the retiree only. Firefighters who retire on or after October 1, 2006, receive \$458 per month, instead of \$189. Firefighters who terminate after October 1, 2007, receive a Supplemental Benefit equal to \$25 per month times years of credited service earned prior to March 15, 2012. Effective March 15, 2012, firefighters who have not attained age 55 with 10 or more years of credited service or 25 years of credited service regardless of age on that date, who either terminate while vested or terminate upon reaching normal or early retirement shall receive a supplemental benefit of \$12 per month for each year of credited service. The benefit shall cease upon retiree reaching the age of Medicare eligibility and members approved for disability retirement are ineligible for the supplemental retirement benefit.

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 1 - Description of the Plan - continued

Supplemental Benefits - continued

Tier Two members

Firefighters are eligible to receive a Supplemental Benefit of \$12 per month for each year of credited service. The benefit shall commence upon entry into the DROP or upon receipt of a retirement benefit and separation from the City. This benefit shall only be payable over the life of the member, will cease upon member reaching the age of Medicare eligibility and members approved for disability retirement are ineligible for the supplemental retirement benefit.

Cost-of-Living Adjustment

Police officer members

The Plan provides for cost-of-living adjustment to police officers who retire or enter the DROP on or after September 30, 2000. The retirement benefits will increase by 3% each year commencing with the September 30th following three years of retirement.

Firefighter members

Tier One members

The Plan provides for cost-of-living adjustment to firefighters who retire or enter the DROP on or after September 30, 2001. The retirement benefits will increase by 3% each year commencing with the September 30th following six years of retirement.

Tier Two members

The cost-of-living adjustment will increase by 2% commencing with the September 30th following six years of retirement.

Funding Requirements

Pursuant to Florida Statutes, Chapters 175 and 185, contributions from the State of Florida (the "State") consist of an excise tax imposed by the City upon certain casualty insurance companies on the gross amount of receipts of premiums from policy holders on all premiums collected on casualty insurance policies covering property within the City. The allowable portion of the State contribution is used to reduce the City's contribution when received. The City is expected to contribute such additional amounts as are necessary on an actuarial basis to fund the Plan's expenses, normal cost and to amortize the unfunded actuarial accrued liability.

Effective February 1, 2012, the Plan adopted the stop/restart concept approved by the State. The stop/restart does not reduce or change the existing retirement benefits for the members. The only result is that the City can use a greater amount of premium tax revenues to fund the retirement benefits already in place. As a result of the stop/restart, the City will receive a one-time credit of \$825,324 based on a transfer from the cumulative excess of actual Chapter 175 premium tax revenues over the base amount. The \$825,324 credit will be applied to reduce the City's annual required contribution to the Plan during the fiscal year beginning October 1, 2011.

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 1 - Description of the Plan - continued

Investments

The Plan has contracts with investment counselors who supervise and direct the investment of equity and fixed income securities. In addition, the Plan utilizes an investment consultant who monitors the investing activity. The investments owned are held by custodians in the name of the Plan. The Plan provides for investment in U.S. Government securities, money market funds, bonds, notes, convertible securities, domestic, international equity securities, and master limited partnership.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which the contributions are due. Employer contributions are recognized as revenues when due pursuant to actuarial valuations. State contributions are recognized as revenue in the period in which they are approved by the State. Interest and other income are recorded as earned and dividend income is recorded as of the ex-dividend date.

Cash equivalents

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

Investments

Plan investments are recorded at fair value in the Statement of Plan Net Position. 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. The diversity of the investment types in which the Plan has entered into requires a range of techniques to determine fair value. The overall valuation processes and information sources by major investment classification are as follows:

- **Equity investments:** These include common stock, domestic and international equity funds and convertible securities. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. 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. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.
- **Real estate funds:** To value real estate funds, management, in consultation with the general partner and investment advisors, determines the fair values of the individual investments based upon the partnerships most recent available financial information adjusted for cash flow activities through September 30, 2013 and 2012. The estimated fair value of this investment may differ from values that would have been used had a ready market existed.

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 2 - Summary of Significant Accounting Policies - continued

Investments - continued

- Debt securities: Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, convertible securities, corporate bond, and bond funds. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.
- Master Limited Partnership (MLP): The MLP employee benefit Common and Commingled Trust Fund is a tax-exempt investment vehicle for qualified pension plan. The Fund strikes a daily NAV (Net Asset Value) as all underlying securities are publicly traded and priced through an independent pricing service at its master custodian, Bank of New York Mellon.

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. 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.

Use of Estimates

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

Income Tax Status

The Plan is tax exempt from Federal income taxes under the Internal Revenue Code.

Risks 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 the 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.

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 2 - Summary of Significant Accounting Policies - continued

Recently Adopted Accounting Pronouncements

The Plan adopted Governmental Accounting Standards ("GASB") Board 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 January 17, 2014, 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:

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	\$135,844,085	\$166,536,696	\$30,692,611	81.6%	\$13,053,146	235.1%

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 position is increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of Pay, Closed
Remaining amortization period	30 years
Asset valuation method	4 year smoothed
Actuarial assumptions:	
Investment rate of return*	8.5%
Projected salary increases*	6.5%
Cost-of-Living adjustments	3.0%
*Includes inflation at:	4.0%

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 4 - Contributions

Actual Contributions

The actual City (employer) contribution for active employees and the State contribution for the years ended September 30, 2013 and 2012 amounted to \$3,977,513 and \$2,341,211, respectively, and the actual amount of covered payroll was approximately \$11,814,000 and \$12,460,000, respectively.

City and State contributions consisted of the following:

	2013		2012	
	Amount	Percent of Actual Covered Annual Payroll	Amount	Percent of Actual Covered Annual Payroll
City	\$ 2,781,773	23.5%	\$ 1,173,926 ⁽¹⁾	9.4%
State	1,195,740	10.1	1,167,285	9.4
Total contributions from City and State	\$ 3,977,513	33.6%	\$ 2,341,211⁽¹⁾	18.8%

⁽¹⁾ One-time credit of \$825,324 not reflected in contributions (See Note 1)

Employee contributions were \$1,038,855 and \$1,121,214, including buybacks and employee purchases for additional pensionable compensation of \$2,750 and \$29,532 in the years ended September 30, 2013 and 2012 respectively.

Actuarially Determined Contributions

Effective May 30, 2012, the Division of Retirement mandated that local governments confer with the Plan's actuary to select and maintain a contribution method (percentage of payroll or fixed dollar contribution) that best fits the funding requirements of the Plan. For the year end September 30, 2012, the Plan selected to use the percentage of payroll contribution amount and the fixed dollar contribution beginning with the fiscal year end September 30, 2013.

The contributions required from the City and the State for the year ended September 30, 2013 and 2012, was originally actuarially determined by the October 1, 2011 and 2010 valuations to be \$3,925,294 and \$3,166,535, respectively. The actuarially computed annual covered payroll used in the October 1, 2011 and 2010 valuations was \$13,846,317 and \$12,664,561, respectively.

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 4 – Contributions - continued

Actuarially Determined Contributions - continued

The required City and State contributions cover the following for the fiscal years ended September 30:

	2013		2012	
	Amount	Percent of Actual Covered Annual Payroll	Amount	Percent of Actual Covered Annual Payroll
Normal cost	\$ 2,072,413	15.0%	\$ 2,029,523	9.0%
Payment to amortize unfunded actuarial accrued liability	1,852,881	13.4	1,137,012	16.0
Total required from City and State	\$ 3,925,294	28.4%	\$ 3,166,535	25.0%

Note 5 - Deposit and Investment Risk Disclosures

Cash and cash equivalents

Deposits are carried at cost and are included in cash and cash equivalents in the statement of plan net position. Cash and cash equivalents include demand accounts and short-term investment funds (STIF). Cash and cash equivalents at September 30, 2013 consists of the following:

	2013	2012
Invested cash and currency	\$ 24,440	\$ 107,623
Short-term investment	5,441,925	5,951,211
Total	\$ 5,466,365	\$ 6,058,834

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 Board determined this policy after evaluating the implications of increased investment return versus increased variability of return for a number of potential investment policies with varying commitments to stocks and bonds. The primary investment objective of the Plan is the preservation of invested capital. The secondary objective is to achieve moderate long-term real growth of the assets while minimizing the volatility of returns.

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 5 - Deposit and Investment Risk Disclosures – continued

Investment Authorization - continued

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 75% (at market) of the Plan's total asset value with no more than 5% at cost value 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 market) of the investment portfolio. Convertible securities shall be limited to 25% of the Plan's total portfolio. Investment in equity securities whose market capitalization is less than \$3 billion dollars shall be limited to 25% of the total equity portfolio. Investments in those corporations whose stock has been publicly traded for less than one year are limited to 15% of the equity portfolio.

The fixed income portfolio shall be comprised of securities rated "BBB" or higher by Standard & Poor's or Baa or higher by Moody's rating services with no more than 10% at cost of an investment manager's total fixed income portfolio invested in the securities of any single corporate issuer. However, investments in securities rated below "A" shall be limited to 20% of the total fixed income portfolio.

Investments in Collateralized Mortgage Obligations (CMO) shall not exceed 25% of the fixed income portfolio and real estate shall not exceed 15% of the total portfolio or market, respectively.

The Plan has contracts with investment counselors who supervise and direct the investment of equity and fixed income securities. In this regard, the Plan does utilize mutual funds as the investment vehicles for all its fixed income investments. 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.

Types of Investments

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target and actual allocation of these investments at market are as follows:

Authorized investments	2013		2012	
	Target % of portfolio	Actual % of portfolio	Target % of portfolio	Actual % of portfolio
Domestic equities	35%	42%	40%	44%
Fixed income	25	22	25	25
International equities	15	14	15	11
Real estate	10	8	10	8
Convertible securities	10	8	10	8
Master Limited Partnership	5	3	0	0
Cash equivalents	0	3	0	4

**City of Palm Bay Police and Firefighters
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 are provided by the following tables that show 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	\$ 14,078,630	\$ 2,625,443	\$ 7,424,151	\$ 2,989,317	\$ 1,039,719
U.S. agencies	11,970,681	-	-	1,304,005	10,666,676
Debt securities	8,103,420	882,484	2,440,552	2,149,903	2,630,481
Bond funds	54,663	-	-	54,663	-
Total fixed income	\$ 34,207,394	\$ 3,507,927	\$ 9,864,703	\$ 6,497,888	\$ 14,336,876

2012					
Investment Maturities					
(in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 15,045,374	\$ 2,663,801	\$ 11,517,516	\$ 864,057	\$ -
U.S. agencies	9,242,252	-	-	365,504	8,876,748
Debt securities	10,430,856	1,131,189	3,933,660	2,299,541	3,066,466
Bond funds	59,927	-	-	59,927	-
Total fixed income	\$ 34,778,409	\$ 3,794,990	\$ 15,451,176	\$ 3,589,029	\$ 11,943,214

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.

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 5 - Deposit and Investment Risk Disclosures - continued

Credit Risk - continued

The following tables disclose credit ratings by investment type, at September 30, 2013 and 2012, as applicable:

	2013		2012	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 26,049,311	76.2	\$ 24,287,626	69.8%
Quality rating of credit risk debt securities:				
AAA	103,789	0.3	884,898	2.5
AA	345,221	1.0	805,349	2.4
AA-	409,257	1.2	957,740	2.8
AA	174,748	0.5	-	-
A+	1,046,325	3.1	1,436,257	4.1
A	876,426	2.6	1,860,064	5.4
A-	651,678	1.9	567,928	1.6
BB	116,108	0.3	-	-
BBB+	992,164	2.9	1,562,433	4.5
BBB	1,250,732	3.7	1,777,930	5.1
BBB-	944,207	2.8	638,184	1.8
Other	1,247,428	3.6	-	-
Total credit risk debt securities	8,158,083	23.8	10,490,783	30.2
Total fixed income securities	\$ 34,207,394	100.0%	\$ 34,778,409	100.0%

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

Concentration of Credit Risk

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 that are in the possession of an outside party. Investment securities are exposed to custodial risk if the 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.

**City of Palm Bay Police and Firefighters
Retirement System
Notes to Financial Statements
September 30, 2013 and 2012**

Note 5 - Deposit and Investment Risk Disclosures - continued

Custodial Credit Risk - continued

Consistent with the Plan's investment policy, substantially all 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 - Commitments

The Plan also entered into an operating lease for office space in February 2012. The lease term is for 60 months expiring in January 2017. The monthly rent is \$1,876, which includes base rent, maintenance and insurance.

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

For the year ending September 30,	Amount
2014	\$ 22,512
2015	22,512
2016	22,512
2017	7,506
	<u>\$ 75,042</u>

During the years ended September 30, 2013 and 2012, rent expense under the lease agreement amounted to \$22,512 and \$21,398, respectively, and is included in administrative expenses in the statement of changes in net position.

Required Supplementary Information

City of Palm Bay Police and Firefighters

Retirement System

Required Supplementary Information

Schedule of Funding Progress and Schedule of Contributions by Employer and Other

Contributing Entity (Unaudited)

September 30, 2013

Schedule "1" - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/01/07	\$ 102,992,988	\$ 106,889,425	\$ 3,896,437	96.4%	\$ 14,501,608	26.9%
10/01/08	107,687,206	118,235,506	10,548,300	91.1	14,990,500	70.4
10/01/09	110,134,959	129,957,312	19,822,353	84.8	14,110,472	140.5
10/01/10	117,655,929	135,684,606	18,028,677	86.7	12,664,561	142.4
10/01/11	123,717,617	154,627,903	30,910,286	80.0	13,846,317	223.2
10/01/12	135,844,085	166,636,696	30,692,611	81.6	13,053,146	235.1

Schedule "2" - Schedule of Contributions by Employer and Other Contributing Entity

Year Ended September 30,	Annual Required Contribution	City and State Contribution	Percentage Contributed	Employee Contributions ⁽¹⁾
2008	\$ 1,650,192	\$ 1,937,543	100.0%	\$ 1,385,880
2009	2,005,027	2,209,789	100.0	1,531,941
2010	2,235,577	2,425,659	100.0	1,402,892
2011	2,991,308	3,179,306	100.0	1,265,826
2012	3,166,535	3,166,535	100.0	1,121,214
2013	3,925,294	3,977,513	100.0	1,038,855

⁽¹⁾ Additional information for disclosure purposes only.

Other Supplementary Schedules

City of Palm Bay Police and Firefighters

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 and custodial:		
SunTrust Bank, Inc.	\$ 384,261	\$ 351,293
Regions Bank, Inc.	39,231	18,198
JP Morgan Investment Management, Inc.	119,563	105,601
SSI Investment Management, Inc.	49,790	40,849
Advent Capital Management, Inc.	50,692	40,590
Eagle Asset Management, Inc.	38,100	23,192
Westwood Holdings Group, Inc.	6,709	-
Total financial management and custodial expenses	688,346	579,723
Investment consultant fees:		
Burgess Chambers and Associates, Inc.	55,000	50,000
Total investment expenses	\$ 743,346	\$ 629,723

Schedule "2" - Schedule of Administrative Expenses		
Professional services:		
Actuarial	\$ 41,898	\$ 52,966
Accounting	20,700	21,750
Administrator	51,035	51,000
Audit	18,280	17,250
Legal	27,075	29,353
Total professional services	158,988	172,319
Other:		
Pension staff salaries	79,301	83,566
Computer expense	32,442	19,503
Conferences	53,575	57,348
Supplies	27,700	21,423
Insurance	17,859	17,084
Occupancy cost	26,008	65,371
Utility expense	9,650	7,950
Dues and subscriptions	1,755	1,730
Postage	2,156	2,509
Total other	250,446	276,485
Total administrative expenses	\$ 409,434	\$ 448,804



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