

**CITY OF HIALEAH  
EMPLOYEES' RETIREMENT SYSTEM**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2013 AND 2012**

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**INDEPENDENT AUDITORS'  
REPORT**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
City of Hialeah Employees' Retirement System  
Hialeah, Florida

We have audited the accompanying basic financial statements of the City of Hialeah Employees' Retirement System (the "Plan") as of and for the fiscal years ended September 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

### **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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

### Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of September 30, 2013 and 2012, and the changes in financial position for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America

### Emphasis of Matters

As discussed in Note 1 to the financial statements, the Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of October 1, 2012. Our opinion is not modified with respect to this matter.

### Other Matters

The financial statements being presented are only for the City of Hialeah Employees' Retirement System which is also reported as a pension trust fund in the City of Hialeah's comprehensive annual financial report. Accordingly, the accompanying financial statements are not intended to present the financial position of the City of Hialeah, Florida as of September 30, 2013 and 2012 or its changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information on pages 3 through 8 and pages 22 through 23, respectively, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

*Alberni Caballero & Company, LLP*

Alberni Caballero & Company, LLP  
Coral Gables, Florida  
June 25, 2014

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(MD&A)**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the annual financial report presents the Management Discussion and Analysis (MD&A) of the City of Hialeah Employees' Retirement System (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal years ended September 30, 2013 and 2012. Please read it in conjunction with the Plan's financial statements, which immediately follow.

### **FINANCIAL HIGHLIGHTS**

The Plan's net results from operations for fiscal year 2013 reflected the following financial activities:

- ❖ Total plan fiduciary net position was \$557,074,570 as of September 30, 2013 and was 7.5% higher than the 2012 total plan fiduciary net position. This increase was mainly due to the valuation of investments at fair market value.
- ❖ Total contributions were \$27,158,810 as of September 30, 2013 and were 11.5% lower than the 2012 contributions. This reflects a decrease in contributions made by the City and Plan members.
- ❖ Total additions were \$96,462,849 as of September 30, 2013 and were 15.2% higher than the 2012 earnings. The decrease in earnings reflects the current economic conditions and market.
- ❖ Net investment income was \$69,304,039 as of September 30, 2013 and was 16.6% lower than the 2012 investments. The increase reflects the decrease in appreciation of the fair value of investments.
- ❖ Total pension benefits payments and refunds were \$57,648,240 as of September 30, 2013 and were 7.4% higher than 2012. This reflects an increase in retirees and DROP participants for the current year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of this annual report consists of three parts: Management's Discussion and Analysis (this section), 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 supplementary 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) as applied to governmental units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and appreciation of assets is recognized in the Statement of Changes in Plan 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 the net position and how it has changed. The net position is the difference between the assets and deferred outflows and liabilities and deferred inflows, and it is one way to measure the financial health or current position of the Plan. The increase in the position during 2013 is one indicator of the volatility in the current financial markets.

Pursuant to Governmental Accounting Standards Board (GASB) requirements, the management of the City of Hialeah Employees' Retirement System herewith provides a discussion and analysis of its financial activities for the fiscal year ended September 30, 2013.

The City of Hialeah Employees' Retirement System was established January 1, 1956 to provide retirement allowances, disability and death benefits for the employees of the City, as defined in Chapter 70 of the Hialeah Code. The City of Hialeah is the administrator of this system. There is a board of trustees in whom the general administration, management and responsibility for the proper operation of the system is vested.

## PLAN HIGHLIGHTS

- ❖ Employer contributions for the year were \$21,397,207 and were 10% more than the 2012 contributions. The amount of employer contribution varies from year to year and is actuarially determined.
- ❖ Plan member contributions were \$5,299,726 as of September 30, 2013 and were 18.1% lower than the 2012 contributions. Plan member contributions are equal to 7% of straight payroll; contributions will vary from year to year and are dependent upon several factors such as salary levels and number of active members in the system.

## STATEMENT OF PLAN FIDUCIARY NET POSITION

The following condensed comparative Statements of Fiduciary Net Position are a point in time snapshot of account balances at fiscal year end. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net position, or assets and deferred outflows minus liabilities and deferred inflows, represents the net position held in trust to pay pension benefits. The Plan did not have any deferred inflows or deferred outflows as of September 30, 2013.

The Plan continues to be soundly funded. It is important to remember that retirement system funding is based on a long-term perspective, and that temporary ups and downs in the market are to be expected.

### **Employees' Retirement System Fiduciary Net Position**

	<u>2013</u> <u>Activities</u>	<u>2012</u> <u>Activities</u>	<u>Percent</u> <u>Change</u>
Cash and short term investments	\$33,403,481	\$32,302,092	3.4%
Securities lending cash collateral	99,716,308	103,058,783	-3.2%
Receivables	3,476,417	4,903,600	-29.1%
Investments at fair value	560,424,032	519,683,931	7.8%
Loans to members	<u>9,861,174.63</u>	<u>9,935,959</u>	<u>-0.8%</u>
Total assets	706,881,413	669,884,365	5.5%
Total liabilities	<u>149,806,843</u>	<u>151,624,404</u>	<u>-1.2%</u>
Total net position restricted for pension benefits	<u>\$557,074,570</u>	<u>\$518,259,961</u>	<u>7.5%</u>

Total fiduciary net position at September 30, 2013 was \$557,074,570 a 7.5% increase over total net position at September 30, 2012. Total assets were \$706,881,413, an increase of 5.5% over 2012 and total liabilities were \$149,806,843 a decrease of 1.2% from 2012. Changes were due to increases in investment income.

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

The Statement of Changes in Plan Fiduciary Net Position, present the effect of pension fund transactions that occurred during the fiscal year, where additions minus deductions equal net increase (or decrease) in fiduciary net position.

The following table shows a condensed comparative summary of the changes in fiduciary net position and reflects the activities of the Plan. The funding objective is to meet long-term obligations, and fund all pension benefits.

**Employees' Retirement System**  
**Statement of Changes In Plan Fiduciary Net Position**

	Fiscal Year <u>2013</u>	Fiscal Year <u>2012</u>	Percent Change
Total contributions	\$27,158,810	\$30,692,390	-10%
Net investment gains	<u>69,304,039</u>	<u>83,091,682</u>	-16.6%
Total increase	96,462,849	113,784,072	-15.2%
Total deductions	<u>57,648,240</u>	<u>53,688,160</u>	7.4%
Net increase/(decrease)	38,814,609	60,095,912	-35.4%
Net position, beginning	<u>518,259,961</u>	<u>458,164,049</u>	13.1%
Net position, ending	<u>\$557,074,570</u>	<u>\$518,259,961</u>	7.5%

Revenues (additions to the plan fiduciary net position) for the Plan were \$96.5 million, which includes member, State and employer contributions of \$27.2 million and net investment gains from investment activities of \$69.3 million. Decrease in investment gains was mainly due to market conditions. Expenses (deductions to the plan fiduciary net position) increased from \$53.7 million during 2012 to \$57.6 million in 2013 or about 7.4%. Increase in expenses was due to increases in retirees and DROP benefits.

**ASSET ALLOCATION**

The table below indicates the Plan's investment policy target asset allocation for September 30, 2013.

**City of Hialeah Employees' Retirement System**  
Summary of Asset Allocation

	<u>Policy Guidelines</u>	<u>Actual Allocation Sept. 30, 2013</u>
US Intern Agg Fixed Inc - Taplin & Boyd	35-40%	30.60%
US 1-3yr Fixed Inc - Taplin & Boyd	0-5%	4.40%
Domestic Large Cap Core - RhumbLine	12-17%	16.40%
Domestic Large Cap Growth - GAMCO	5%	5.50%
Domestic Large Cap Value - Diamond	5%	5.70%
Russell Midcap Value -Fisher	6%	6.30%
Russell Midcap Core - RhumbLine	7%	7.20%
Russell Midcap Growth - RhumbLine	5%	5.30%
Small Cap Core - RhumbLine	5%	5.40%
Small Cap Value - Fisher	2%	2.30%
Small Cap Growth - Franklin	2%	2.40%
International Equity - Franklin	5%	5.80%
Alternatives-All Asset Global-PIMCO	0-2.5%	1.70%
Alternatives-Commodity-RICI PAM	0-1.25%	1.00%
Alternatives-Hedge Fund of Funds	<u>0-1.25%</u>	<u>0.00%</u>
Total	<u>100%</u>	<u>100%</u>

## **ASSET ALLOCATION**

The table below indicates the Plan's investment policy target asset allocation for September 30, 2013.

	<u>Equity vs. Fixed</u>	
	<u>Policy Guidelines</u>	<u>Actual Allocation Sept. 30, 2013</u>
Domestic Equity	50.00%	56.50%
International Equity	5.00%	5.80%
US Fixed Income	40.00%	35.00%
Alternatives	5.00%	2.70%
Cash	0%	0.00%
Total	100%	100%

Under policy guidelines: 5% cash maximum allowed in equities (small capitalization managers may, from time to time hold more than 5% cash or money markets, but never in excess of 10%) / 10% cash maximum allowed in fixed accounts.

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 the difficulty of achieving the Plan's investment objectives in light of uncertainties and complexities of contemporary investment markets.

The Board also 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 strong financial condition enables the Board to adopt a long-term investment perspective. Asset allocation for fiscal year ended September 30, 2013 was within the limits defined by the investment policy guidelines.

## **INVESTMENT ACTIVITIES**

Investment income is vital to the Plan for current and future financial stability. Therefore, the Trustees have a fiduciary responsibility to act prudently and discretely when making plan investment decisions. To assist the Board of Trustees in this area, the Board employs the services of an investment consultant to periodically review and update the investment policy. No changes to the Investment Policy Statement and Asset Allocation occurred during the fiscal year.

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

Overall performance results for the Plan can be viewed in the table below:

City of Hialeah Employees' Retirement System					
Asset Allocation Summary					
September 30, 2013					
	Market Value		Trailing	Trailing	
	(Thousands)	Quarter	1 Year	3 Year	Inception
Intermediate Aggregate	101,247,573	0.51%	-0.88%	2.76%	6.00%
Barclays Intern Agg		0.76%	-0.71%	238.00%	588.00%
Intermediate Aggregate	75,370,624	0.74%	-0.76%	2.37%	5.17%
Barclays Intern Agg		0.76%	-0.71%	2.58%	5.30%
Large Cap Core	94,505,861	5.23%	19.37%	16.26%	9.25%
S&P 500		5.24%	19.34%	16.27%	8.89%
Large Cap Value	32,905,286	5.49%	26.45%	1666.00%	6.33%
Russell 1000V		3.94%	22.30%	1625.00%	5.51%
Large Cap Growth	31,461,530	808.00%	2125.00%	1595.00%	18.95%
Russell 1000G		811.00%	19.27%	1694.00%	20.33%
Midcap Core	41,626,717	7.55%	27.36%	1742.00%	10.30%
S&P 400		7.54%	27.68%	1745.00%	10.20%
Midcap Value	36,136,890	NA	NA	NA	0.64%
Russell Midcap Value		NA	NA	NA	0.54%
Midcap Growth	30,855,561	9.00%	26.77%	1751.00%	8.96%
Russell Midcap Growth		9.34%	27.54%	17.65%	9.08%
Small Cap Core	31,135,811	10.85%	31.51%	2066.00%	11.14%
S&P 600		10.73%	31.51%	2068.00%	11.02%
Small Cap Value	13,324,401	7.50%	28.76%	17.01%	11.70%
Russell 2000 Value		7.59%	27.04%	16.57%	7.90%
Small Cap Growth	13,621,090	13.25%	42.14%	20.88%	9.82%
Russell 2000 Growth		12.80%	33.07%	19.96%	7.91%
International Equity	33,641,784	12.04%	27.63%	1024.00%	2.32%
MSCI EAFE		11.61%	24.29%	897.00%	1.31%
Short Fixed Income	12,760,194	0.37%	NA	NA	0.47%
BC 1-3 yr Gov/Cr		0.40%	NA	NA	0.53%
Short Fixed Income	12,778,012	0.55%	0.39%	NA	0.96%
BC 1-3yr Gov/Cr		0.40%	0.62%	NA	0.91%
Alternatives	9,877,215	2.93%	NA	NA	-1.38%
CPI +5%		1.43%	NA	NA	2.97%

Overall performance results for the Plan (Continued)

	Market Value (Thousands)	Quarter	Trailing 1 Year	Trailing 3 Year	Inception
Total	571,248,549	4.88%	14.60%	10.78%	7.85%
Policy Benchmark		4.61%	13.75%	10.86%	8.23%

Please note that the schedule above and on the previous page reflects trailing one-year and three-year including returns since inception. Please also note that the above rates of returns are time weighted, net of fees and based on market rate of return in accordance with AIMR's performance presentation standards.

**FINANCIAL ANALYSIS SUMMARY**

The investment activities, for the fiscal year ended September 30, 2013, are a function of the underlying market, money managers' performance, and the investment policy's asset allocation model. The Plan had a positive absolute return of 14.60% for the trailing one year. The fund continues to maintain a consistent, high quality, conservative approach and has returned an annualized rate of return of 10.78% over the last three fiscal years

**CONTACTING THE PLAN'S FINANCIAL MANAGEMENT**

This financial analysis is designed to provide the Board of Trustees, 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 City of Hialeah Retirement Office Grisell Aedo, Acting Retirement Director, at 501 Palm Avenue, Hialeah, Florida 33010 or (305) 883-5872.

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**FINANCIAL STATEMENTS**

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**CITY OF HIALEAH, FLORIDA**  
**EMPLOYEES' RETIREMENT SYSTEM**  
STATEMENTS OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2013 AND 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash and short-term investments	\$ 33,403,481	\$ 32,302,092
Securities lending cash collateral	<u>99,716,308</u>	<u>103,058,783</u>
Receivables:		
Accrued interest	1,112,866	1,002,244
Accrued dividends	345,726	399,234
Fraud recovery	-	227,351
Other receivables	191,016	186,805
Contributions	892,509	1,362,549
Investments sold	<u>934,300</u>	<u>1,725,417</u>
Total receivables	<u>3,476,417</u>	<u>4,903,600</u>
Investments, at fair value:		
U.S. Treasury bonds and notes	41,545,334	43,850,292
U.S. Government securities	12,281,629	11,328,929
Asset backed securities	10,432,396	15,867,562
Mortgage backed securities	49,342,556	71,201,478
Corporate bonds and notes	80,323,066	56,262,941
Real estate investment trust	12,869,400	13,248,393
Limited partnership	993,252	-
Mutual Funds	9,929,594	-
Municipal bonds	956,060	-
Common stocks	<u>341,750,745</u>	<u>307,924,336</u>
Total investments	<u>560,424,032</u>	<u>519,683,931</u>
Loans to members	<u>9,861,175</u>	<u>9,935,959</u>
Total assets	<u>706,881,413</u>	<u>669,884,365</u>
 <u>LIABILITIES AND NET POSITION</u> 		
Obligations under securities lending	99,716,308	103,058,783
Due to retired participants	38,605,207	37,951,238
Investments purchased	2,013,027	2,496,557
Accounts payable and accrued expenses	146,333	193,288
DROP payable	<u>9,325,968</u>	<u>7,924,538</u>
Total liabilities	<u>149,806,843</u>	<u>151,624,404</u>
Net position held in trust for pension benefits	<u>\$ 557,074,570</u>	<u>\$ 518,259,961</u>

See notes to financial statements.

**CITY OF HIALEAH, FLORIDA  
EMPLOYEES' RETIREMENT SYSTEM**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	21,397,207	\$ 23,763,141
Plan member	5,299,726	6,467,372
State	<u>461,877</u>	<u>461,877</u>
Total contributions	<u>27,158,810</u>	<u>30,692,390</u>
Investment income:		
Investment earnings	13,255,643	13,009,654
Realized gains	35,546,710	11,793,355
Unrealized gains	<u>21,732,083</u>	<u>59,326,729</u>
	70,534,436	84,129,738
Less investment expense	<u>1,230,397</u>	<u>1,038,056</u>
Net investment income	<u>69,304,039</u>	<u>83,091,682</u>
Total additions	<u>96,462,849</u>	<u>113,784,072</u>
<b>DEDUCTIONS</b>		
Pension benefits	45,349,135	41,940,646
DROP benefits	3,664,000	4,228,240
Refunds	<u>8,635,105</u>	<u>7,519,274</u>
Total deductions	<u>57,648,240</u>	<u>53,688,160</u>
Net increase	38,814,609	60,095,912
Net position restricted for pension benefits:		
Beginning of year	<u>518,259,961</u>	<u>458,164,049</u>
End of year	<u>\$ 557,074,570</u>	<u>\$ 518,259,961</u>

See notes to financial statements.

**CITY OF HIALEAH  
EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements of the City of Hialeah Employees' Retirement System (the "Plan") are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when contractually due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Method Used to Value Investments**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar investments. Securities traded on a national or international exchange are valued at the last reported sales price. Net appreciation/depreciation in fair value includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

**Loans to Members**

The Plan permits members to borrow from the Plan assets (subject to the rules of the Internal Revenue Service) at rates determined by the Plan Trustees. Interest charged on loans is 1.5% above the Wall Street Journal prime rate (4.71% and 3.38% as of September 30, 2013 and 2012; respectively). Such loans are limited to and are fully secured by the respective member's annuity savings account. Loan payments are deducted directly from the member's bi-weekly payroll.

**Administrative Expenses**

Administrative expenses incurred by the Plan are absorbed by the City of Hialeah.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**Reclassifications**

Certain amounts in 2012 have been reclassified to conform to the 2013 presentation.

**Implementation of Governmental Accounting Standards Board Statement**

The Plan implemented the following GASB Statement during the fiscal year ended September 30, 2013 that had an impact on the financial statements:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Implementation of Governmental Accounting Standards Board Statement (Continued)**

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of fiduciary net position.

**NOTE 2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION**

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the City of Hialeah Employees' Retirement System Plan document for more complete information.

**General**

The City of Hialeah (the "City") is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide pension, annuity, death, and disability benefits through a defined benefit and defined contribution pension plan, for substantially all of the employees of the City and its Department of Water and Sewers. The PERS is considered to be part of the City's financial reporting entity and is included in the City's financial reports as a pension trust fund. On May 22, 2012, the City passed Ordinance No. 2012-27, retroactively to April 1, 2012, closing membership to the Plan for all general employees hired after April 1, 2012. New employees will instead participate in a new defined contribution plan. The latest available actuarial valuation is as of October 1, 2012.

Membership in the Plan as of October 1 consisted of the following:

	<u>2011</u>	<u>2012</u>
Inactive employees:		
Retirees and beneficiaries currently receiving benefits	1,318	1467
Terminated employees entitled to benefits but not yet receiving them	<u>81</u>	<u>92</u>
Subtotal	<u>1,399</u>	<u>1,559</u>
Active employees:		
General employees	578	662
Police officers and firefighters	<u>631</u>	<u>549</u>
Subtotal	<u>1,209</u>	<u>1211</u>
Total members	<u>2,608</u>	<u>2,770</u>

**Pension Benefits**

The Service and age requirements are (1) for employees hired prior to January 27, 1970, 10 years of service, at age 50, or any age upon retirement after 20 years of service, (2) for employees hired after January 26, 1970 but prior to January 1, 1974, 15 years of service, at age 55, or any age upon retirement after 20 years of service, and (3) for all other members, any age with age plus service equal to 70 and with at least 20 years of service

Employees who have attained the mandatory years of service and age requirements are entitled to the following pension benefits:

1. An annuity which shall be the actuarial equivalent of the member's accumulated contributions standing to the member's credit in the Annuity Savings Fund at the time of retirement;
2. The Basic annual pension, which is equal to \$1,800 (for those participants who have attained their normal retirement age) or \$2,800 (for all other members); and
3. A Service pension, which is equal to three percent (3%) of final average compensation multiplied by service up to twenty five (25) years (for those participants who have at least twenty (20) years of service and whose age plus service equals at least seventy (70)) or two percent (2%) of final average compensation multiplied by service up to thirty (30) years (for all other members).

**NOTE 2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

**Pre-Retirement Termination**

Employees terminated before qualifying for retirement receive a lump sum payment representing their annuity contributions and any interest credited to their annuity savings account.

**Early Retirement Pension Benefit**

Employees who have at least 10 years of credited service upon reaching age 55 are eligible for their annuity plus the Basic and Service pensions multiplied by the participant's vested interest.

**Death and Disability Payments**

In the case of the death of a general employee Member prior to retirement, their beneficiary will receive a five-year certain and life annuity. In lieu of this five-year certain annuity, the beneficiary of the general employee may elect to receive 1/2 of the same amount payable over a ten-year period. For firefighters and police officers, the Member's vested accrued benefit deferred to early (reduced) or normal retirement and payable for a minimum of 10 years.

Upon retirement for total and permanent disability, the member shall receive pension benefits whether or not the member has attained eligible retirement age.

**Contributions and Funding Policy**

Plan members are required to contribute 7% of their basic compensation to the Annuity Savings Fund. The City is required to contribute at an actuarially determined rate. Plan participants are permitted to purchase a maximum of four years of membership credit service time. The contribution requirements of the Plan members and the City are established and may be amended by the Employees' Retirement System Board of Trustees. Effective with the fiscal year ended September 30, 2006, the firefighters' and police officers' share plans will make contributions to fund the cost of the minimum benefits under Chapter 99-1, Florida Statutes.

On August 25, 2009, the City passed Ordinance 09-54, which established a minimum City contribution ("floor") to the Plan equal to 22% of the member payroll. Once every five years, the City may increase or decrease the floor up to 2% of member payroll, if supported by an actuarial study. The floor shall not be less than 16% or more than 28% of member payroll. The new provisions also indicate that the floor is subject to Section 70-168(b) which specifies the contribution shall be computed as a level percent of payroll in accordance with generally recognized actuarial principles and the provisions of Chapter 112 of the Florida Statutes. Provisions under Chapter 112 of the Florida Statutes will take precedence in the event the required City contribution calculated under Chapter 112 exceeds the 28% of member payroll.

**DROP Plan**

The City established a deferred retirement option plan (DROP) for General Employees, Police and Firefighters. An active participant of the City's retirement system may enter into the DROP, on the first day of the month following completion of 25 years of membership service credit, provided that the sum of the member's age and years of service is 70 points or more. Upon entry into the DROP, a member's monthly retirement benefits, which would have been payable had the member elected to cease employment and receive a normal retirement benefit, shall be paid into the member's DROP account. The maximum duration for participation in the DROP shall not exceed thirty-six (36) months. As of September 30, 2013 and 2012, there were seventy-nine (79) and eighty-two (82) DROP participants; respectively.

**NOTE 3. DEPOSITS AND INVESTMENTS**

**Deposits**

In addition to insurance provided by the Federal Deposit Insurance Corporation, all deposits, which include cash on hand, are held in qualified public depositories pursuant to State of Florida Statutes Chapter 280, Florida Security for Public Deposits Act. Under the Act, all qualified public depositories are required to pledge eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Therefore, all deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

**Investments**

The Board of Trustees has developed certain investment policies and has retained investment managers. The investment managers are expected to maximize the return on the investment portfolio and may make transactions consistent with that expectation within the Board's policies. The investment managers are compensated based on a percentage of their portfolio's market value.

	Fair Value	Less Than 1	Investment Maturities (In Years)		
			1 to 5	6 to 10	More Than 10
<u>September 30, 2013</u>					
U.S. Treasuries	\$41,545,334	\$2,900,775	\$27,058,872	\$11,585,687	\$ -
U.S. Agencies/Instrumentalities	12,281,629	1,252,075	10,275,246	754,308	-
Corporate Bonds and Notes	80,323,066	6,616,839	47,854,137	25,852,090	-
Municipal Bonds	956,060	-	-	956,060	-
Mortgage Backed Securities	49,342,556	-	1,403,449	3,037,985	44,901,122
Asset Backed Securities	<u>10,432,396</u>	<u>34,021</u>	<u>10,398,375</u>	<u>-</u>	<u>-</u>
Sub-total	<u>194,881,041</u>	<u>10,803,710</u>	<u>96,990,079</u>	<u>42,186,130</u>	<u>44,901,122</u>
Real estate investment trusts	12,869,400				
Limited Partnership	993,252				
Mutual Funds	9,929,594				
Common stocks	<u>341,750,745</u>				
Total	<u>\$560,424,032</u>				

	Fair Value	Less Than 1	Investment Maturities (In Years)		
			1 to 5	6 to 10	More Than 10
<u>September 30, 2012</u>					
U.S. Treasuries	\$43,850,292	\$4,544,285	\$28,511,570	\$10,794,437	\$ -
U.S. Agencies/Instrumentalities	11,328,929	576,426	8,628,197	2,124,306	-
Corporate Bonds and Notes	56,262,941	5,006,587	33,904,521	15,590,527	1,761,305
Mortgage Backed Securities	71,201,478	-	1,055,913	12,053,201	58,092,363
Asset Backed Securities	<u>15,867,562</u>	<u>-</u>	<u>14,529,602</u>	<u>1,337,960</u>	<u>-</u>
Sub-total	<u>198,511,202</u>	<u>10,127,298</u>	<u>86,629,803</u>	<u>41,900,432</u>	<u>59,853,668</u>
Real estate investment trusts	13,248,393				
Common stocks	<u>307,924,336</u>				
Total	<u>\$ 519,683,931</u>				

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

**Interest Rate Risk**

Interest rate risk exists when there is possibility that changes in interest rates could adversely affect an investment's fair value. In accordance with its investment policy, the Plan places no limit on the amount that may be invested in securities of the U.S. Government or its agencies. 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.

**Credit Risk**

Generally, 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 investment policy limits investments to the highest ratings by nationally recognized statistical rating organizations (NRSPO) – (Standard and Poor's, Moody's Investors Services and Fitch Ratings). Fixed income investments must be direct issues of the United States Treasury, United States Government Agencies, or Instrumentalities including Mortgage Backed Securities and their derivative products. Mortgage and Asset backed securities not issued by an agency of the Federal Government must be rated A or better by a NRSPO. Other than securities of the U.S. Government or its agencies the fixed income portfolio shall not exceed 5% of any one issuer. Any idle cash not invested by the investment manager shall be invested daily through an automatic, interest bearing, sweep vehicle managed by the custodian.

As of September 30, 2013, the Plan's fixed income investments with credit ratings consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
U.S. Treasury bonds and notes	\$1,003,200	Aaa
U.S. Treasury bonds and notes	40,542,134	NR
U.S. Government securities	12,281,629	Aaa
Asset backed securities	10,231,726	Aaa
Asset backed securities	200,670	NR
Mortgage backed securities	43,691,394	AAA
Mortgage backed securities	603,881	Aaa
Mortgage backed securities	1,002,546	Aa1
Mortgage backed securities	844,295	AA
Mortgage backed securities	3,200,439	NR
Municipals	483,330	Aa1
Municipals	472,730	A1
Corporate bonds and notes	13,524,931	A1
Corporate bonds and notes	14,722,970	A2
Corporate bonds and notes	12,830,895	A3
Corporate bonds and notes	1,117,370	Aa1
Corporate bonds and notes	1,889,853	Aa2
Corporate bonds and notes	2,706,748	Aa3
Corporate bonds and notes	500,565	Aaa
Corporate bonds and notes	1,342,396	Ba1
Corporate bonds and notes	469,570	Ba2
Corporate bonds and notes	13,560,651	Baa1
Corporate bonds and notes	12,416,163	Baa2
Corporate bonds and notes	5,138,154	Baa3
Corporate bonds and notes	102,801	NR
Total	<u>\$194,881,041</u>	

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

As of September 30, 2012, the Plan's fixed income investments with credit ratings consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
U.S. Treasuries	\$ 604,080	Aaa
U.S. Treasuries	43,246,212	NR
U.S. Agencies/Instrumentalities	10,328,709	Aaa
U.S. Agencies/Instrumentalities	1,000,220	NR
Mortgage Backed Securities	58,681,168	AAA
Mortgage Backed Securities	1,009,048	Aaa
Mortgage Backed Securities	11,511,262	NR
Asset Backed Securities	13,186,000	Aaa
Asset Backed Securities	2,681,562	NR
Corporate Bonds	6,930,140	A1
Corporate Bonds	12,322,177	A2
Corporate Bonds	10,269,110	A3
Corporate Bonds	2,508,891	Aa2
Corporate Bonds	3,412,845	Aa3
Corporate Bonds	501,465	Aaa
Corporate Bonds	1,052,087	Ba1
Corporate Bonds	3,881,599	Baa1
Corporate Bonds	7,299,590	Baa2
Corporate Bonds	7,536,877	Baa3
Corporate Bonds	<u>548,160</u>	NR
Total	<u>\$198,511,202</u>	

**Concentration Credit Risk**

GASB Statement No. 40 requires disclosure of investments in any one issuer that represents 5% or more of the total of the Plan's investments. Conversely, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement.

As of September 30, 2013, concentration of the Plan's investments was as follows:

Freddie Mac	5.28%
WR Grace & Co	5.36%
U.S. Treasury N/B	7.02%

As of September 30, 2012, concentration of the Plan's investments was as follows:

Freddie Mac	6.72%
WR Grace & Co	5.84%
U.S. Treasury N/B	7.98%

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk**

Custodial credit 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. Consistent with the Plan's investment policy, the investments are held by the Plan's custodial bank and registered in the Plan's name.

**Foreign Currency Risk**

Foreign currency is the risk that changes in exchange rates will adversely affect the fair value of the investment or a deposit. The Plan has exposure to foreign currency fluctuations as follows:

<u>Currency</u>	<u>Holdings Valued in U.S. Dollars-</u>	
	<u>2013</u>	<u>2012</u>
CANADIAN DOLLAR	1,052,524	888,724
DANISH KRONE	441,387	-
EURO CURRENCY	12,556,302	9,014,339
HONG KONG DOLLAR	2,279,072	1,487,255
JAPANESE YEN	2,835,176	1,683,785
NORWEGIAN KRONE	882,290	462,620
POUND STERLING	5,292,271	5,037,441
SINGAPORE DOLLAR	1,087,428	1,050,220
SWEDISH KRONA	936,057	248,214
SWISS FRANC	<u>2,537,560</u>	<u>2,001,736</u>
	<u>\$29,900,068</u>	<u>\$21,074,334</u>

**Risks and Uncertainties**

The Plan has investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statements of plan fiduciary net position and the statements of changes in plan fiduciary net position. The Plan, through its investment advisors, monitors the Plan's investments and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

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 could be material to the financial statements.

**NOTE 4. DUE TO RETIRED PARTICIPANTS**

As part of the City of Hialeah Employees' Retirement System's provisions, Plan participants are required to contribute 7% of their annual compensation into an annuity fund. The amounts recorded within the Due To Retirement Participants account represent monies held for retired participants which have not cashed out their annuity and amounts held for terminated employees or employees which have voluntarily left the City and have not cashed out their annuity balance.

**NOTE 4. DUE TO RETIRED PARTICIPANTS (Continued)**

In accordance with Section 70-166 of the City of Hialeah Code, Participants receiving a pension, which maintain monies within this account, have the discretion to leave the funds with the City and continue accruing interest, or cash out their balance until age 70 at which time he/she is required to withdraw the balance in a lump sum. Upon retirement of a member, either the employee's accumulated contributions shall be transferred from the annuity savings fund to the annuity reserve fund or the employee may elect to withdraw the employee's annuity in a lump sum. At the expiration of a period of four years from the date an employee ceases to be a member, any balance of accumulated contributions standing to his credit in the annuity savings fund, unclaimed by such member, shall be transferred to the pension reserve fund unless such member has at least ten years of credited service and indicates to the board in writing, at time of separation, his intent to defer pension benefits as provided in section 70-239. As of September 30, 2013 and 2012 the amounts held in the annuity savings fund due to retired participants totaled \$38,605,268 and \$37,951,237 (including \$791,313 and \$760,307 due to non-active, non-retired members).

**NOTE 5. ANNUITY RESERVE**

The annuity reserve includes the Participants' accumulated contributions with interest at the annual rates established by the Board of Trustees. As of September 30, 2013 and 2012, accumulated member contributions totaled \$99,582,701 and \$100,074,368; respectively. Of these amounts, accumulated active member contributions totaled \$60,977,495 and \$62,123,130 and accumulated retiree contributions (including accumulated contributions for non-active, non-retired members) totaled \$38,605,268 and \$37,951,237; as of September 30, 2013 and 2012; respectively. Interest at 4.71% and 3.38% were credited for fiscal years ended September 30, 2013 and 2012; respectively.

The fiduciary net position restricted for pension benefits of \$557,074,570 and \$418,259,961 as of September 30, 2013 and 2012 include the accumulated active member contributions which totaled \$60,977,495 and \$62,123,130; as of September 30, 2013 and 2012; respectively. The accumulated retiree contributions (including accumulated contributions for non-active, non-retired members) totaled \$38,605,268 and \$37,951,237; as of September 30, 2013 and 2012; respectively and are reported as Due To Retired Participants (See NOTE 4).

**NOTE 6. SECURITIES LENDING TRANSACTIONS**

State statutes do not prohibit the Plan from participating in securities lending transactions. The City of Hialeah Employees' Retirement System (the "Plan"), pursuant to a Securities Lending Authorization Agreement, has authorized State Street Bank and Trust Company ("State Street") to act as the Plan's agent in lending the Plan's securities to approved borrowers. State Street, as agent enters into Securities Loan Agreements with borrowers. Cash collateral received in respect to the Plan's securities lent to approved borrowers was invested at the direction of the Plan, in the Quality D Duration and Quality Investment Fund D (the "Fund") which are comprised of liquidity pools and duration pools. Please note the following:

- a. Method for Determining Fair Value. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.
- b. Policy for Utilizing Amortized Cost Method. As the Fund is not a mutual fund and does not otherwise meet the requirements of the Investment Company Act of 1940 pursuant to which amortized cost accounting may be permissible, State Street has valued the Fund's investments at fair value for reporting purposes.
- c. Regulatory Oversight. The Fund is not registered with the Securities and Exchange Commission. State Street and the investment vehicles it sponsors (including the Fund) are subject to oversight by the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Plan's position in the Fund is equal to the value of the Fund shares.
- d. Involuntary Participation. There was no involuntary participation in an external investment pool by the Plan for the Fiscal Year.

**NOTE 6. SECURITIES LENDING TRANSACTIONS (Continued)**

- e. Necessary Information. Not Applicable.
- f. Income Assignment. No income from one fund was assigned to another fund by State Street during the fiscal year.

During the fiscal year, State Street lent, on behalf of the Plan, certain securities of the Plan held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the Plan in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration and notice of Default of the Borrower.

During the fiscal year, the Plan and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 2013, such investment pool had an average duration of 3 days and an average weighted final maturity of 182 days for USD collateral. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral.

GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets unless the entity did not have the ability to pledge or sell collateral securities absent a borrower default as the case with the Plan. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them. On September 30, 2013, the Plan had no credit risk exposure to borrowers. The market values of collateral held and the market value (USD) of securities on loan for the Plan as of September 30, 2013 and 2012, was \$99,716,308 and \$103,058,783; respectively. The \$99,716,308 was cash and securities collateral and has been reported in the statement of fiduciary net position as an asset of the Plan along with the liability of \$99,716,308 for obligations under security lending.

**NOTE 7. 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:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2012	\$507,232,353	\$734,713,229	\$227,480,876	69.0%	\$62,092,146	366.4%

**NOTE 7. FUNDED STATUS AND FUNDING PROGRESS (Continued)**

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

Additional information as of the latest actuarial valuation follows:

Valuation date	10/1/12
Actuarial cost method	Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed expected vs actual returns
Actuarial assumptions:	
Investment rate of return*	8%
Projected salary increases*	3.0% to 9.0%
Includes projected payroll at	3.5%
Cost of living adjustments**	2.0%
* Includes inflation of 3.5%	
** Limited to 10 Increases	

**NOTE 8. ACTUARIAL ASSUMPTIONS AND METHOD CHANGES**

Effective October 1, 2011,

- a) The assumed rates of mortality for healthy pre and post retirement participants were projected 15 and 7 years respectively from the valuation date to reflect mortality improvements. The mortality rates for the General Employees were also changed to reflect a blue collar adjustment. The prior assumed rates of mortality for all groups were not projected to reflect mortality improvements and the rates of mortality for the General Employees did not reflect blue collar adjustments.
- b) The assumed rates of retirement from active status were updated to reflect the plan's actual experience over the prior five (5) years for the Police Officers and Firefighters. The assumed rates of retirement for General Employees remain unchanged.
- c) The assumed rates of permanent withdrawal from active status were updated to reflect the plan's actual experience over the prior five (5) years.
- d) The assumed rates of disability were updated to reflect the plan's actual experience over the prior five (5) years.
- e) The salary increase assumption was updated to reflect the plan's actual experience over the prior five (5) years and the negotiated pay concessions in the current CBAs.

Effective October 1, 2011, the aggregate payroll assumption used for the amortization of the unfunded liability is 3.50%. This was based on approval by the Florida Division of Retirement based on future expected payroll growth anticipated by the City. Therefore, the aggregate payroll growth assumption was increased from 3.48% to 3.50%.

Effective October 1, 2012, the non-disabled mortality assumption was updated to reflect an additional year of expected mortality improvement.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF HIALEAH, FLORIDA  
EMPLOYEES' RETIREMENT SYSTEM**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a-b)/c
10/1/2012	\$ 507,232,353	\$ 734,713,229	\$ 227,480,876	69.0%	\$ 62,092,146	366.4%
10/1/2011	511,757,155	708,197,223	196,440,068	72.3%	62,406,221	314.8%
10/1/2010	520,812,767	684,539,088	163,726,321	76.1%	72,614,908	225.5%
10/1/2009	531,939,481	661,893,533	129,954,052	80.4%	79,860,936	162.7%
10/1/2008	526,091,435	627,530,393	101,438,958	83.8%	77,006,760	131.7%
10/1/2007	522,796,029	595,379,468	72,583,439	87.8%	75,461,003	96.2%

**CITY OF HIALEAH, FLORIDA  
EMPLOYEES' RETIREMENT SYSTEM**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended <u>September 30.</u>	Annual Required Contribution <u>(GASB 25/27)</u>	Minimum Required Contribution <u>(Fla. Chapter 112)</u>	Contributions from <u>Employer</u>	Percentage Contributed Based on <u>(GASB 25/27)</u>	Percentage Contributed Based on <u>(Fla. Chapter 112)</u>
2013	\$23,796,966	\$25,315,474	\$21,859,084	92%	86%
2012	22,203,900	23,763,141	24,225,018	109%	92%
2011	21,470,324	22,382,341	22,522,017	105%	101%
2010	20,557,338	19,805,750	19,783,774	96%	100%
2009	17,861,709	19,739,282	19,815,949	111%	100%
2008	18,298,037	17,911,933	18,117,911	99%	101%

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

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## COMPLIANCE REPORT

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Albani, Caballero  
& Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

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

Board of Trustees  
City of Hialeah Employees' Retirement System  
Hialeah, Florida

We have audited the statement of plan fiduciary net position of the City of Hialeah Employees' Retirement System (the "Plan") as of September 30, 2013 and the related statements of changes in plan fiduciary net position for the fiscal year then ended, and have issued our report thereon dated June 25, 2014. 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.

**Internal Control over Financial Reporting**

Management of the Plan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alberni Caballero & Company, LLP*

Alberni Caballero & Company, LLP  
Coral Gables, Florida  
June 25, 2014