THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006

THE CITY OF POMPANO BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006

TABLE OF CONTENTS

<u>Report of Independent Certified Public Accountants</u>

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

We have audited the accompanying statements of plan net assets of The City of Pompano Beach General Employees' Retirement System at September 30, 2007 and 2006, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in <u>Government Auditing Standards</u> issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of The City of Pompano Beach General Employees' Retirement System as of September 30, 2007 and 2006 and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated November 19, 2007 on our consideration of The City of Pompano Beach General Employees' Retirement System internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 2-5 and the supplementary information presented in Schedules 1 and 2 which show historical pension information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keefe Leiss & Company, P.A.

November 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)

Our discussion and analysis of The City of Pompano Beach General Employees' Retirement System (the Plan) financial performance provides an overview of the Plan's financial activities for the fiscal years ended September 30, 2007 and 2006. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

Financial Highlights

- The Plan held $127,301,198 in assets and had outstanding $2,393,308 in liabilities at the end of the fiscal year ending September 30, 2007. The net amount of $124,907,890 is held in trust to provide for future benefit payments.

  The Plan held $109,708,862 in assets and had outstanding $1,209,086 in liabilities at the end of the fiscal year ending September 30, 2006. The net amount of $108,499,776 is held in trust to provide for future benefit payments.

- For the fiscal year ending September 30, 2007 employer contributions to the Plan, increased $920,179 or 29.3% based primarily on the actuarial valuation. Actual employer contributions were $4,064,240 and $3,144,061 for 2007 and 2006, respectively.

  For the fiscal year ending September 30, 2006 employer contributions to the Plan, increased $802,837 or 34.3% based primarily on the actuarial valuation. Actual employer contributions were $3,144,061 and $2,341,224 for 2006 and 2005, respectively.

- For the fiscal year ending September 30, 2007 employee contributions including buybacks increased by $420,795 or a 23.9% increase. Actual employee contributions, including buybacks were $2,181,898 and $1,761,103 for 2007 and 2006, respectively. Employee contributions have grown from year to year, based on the number of active members, increases in salaries and increases in employee contributions rates.

  For the fiscal year ending September 30, 2006 employee contributions including buybacks increased by $62,768 or a 3.7% increase. Actual employee contributions, including buybacks were $1,761,103 and $1,698,335 for 2006 and 2005, respectively. Employee contributions have grown from year to year, based on the number of active members and increases in salaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
(REQUIRED SUPPLEMENTARY INFORMATION)

Financial Highlights (continued)

- For the fiscal year ending September 30, 2007, net investment income increased by $7,623,658 or 86.2%. Actual results were $13,658,310 and $6,460,048 in net appreciation in fair value of investments for 2007 and 2006, respectively, and $3,379,301 and $3,006,467 income from interest and dividends and other investment income of $86,222 and $34,117, less Deferred Retirement Option Plan participants' earnings of $104,505 and $77,876 for 2007 and 2006, respectively. Investment expenses decreased by $7,933 or 1.4%.

  For the fiscal year ending September 30, 2006, net investment income increased by $400,227 or 4.7%. Actual results were $6,460,048 and $6,051,082 in net appreciation in fair value of investments for 2006 and 2005, respectively, and $3,006,467 and $2,873,769 income from interest and dividends and other investment income of $34,117 and $5,020, less Deferred Retirement Option Plan participants' earnings of $77,876 and $65,872 for 2006 and 2005, respectively. Investment expenses increased by $158,530 or 37.8%.

- For the fiscal year ending September 30, 2007, benefit payments increased by $673,382 or 14.1%. Refunds of contributions increased by $146,055 or 66.1%.

  For the fiscal year ending September 30, 2006, benefit payments increased by $88,015 or 1.9%. Refunds of contributions decreased by $50,797 or 18.7%.

- For the fiscal year ending September 30, 2007, administrative expenses increased by $56,776 from 2006 or 13.3% due primarily to increase in payments for legal expense.

  For the fiscal year ending September 30, 2006, administrative expenses increased by $36,913 from 2005 or 9.5% due primarily to increase in payments for rent and telephone expense.

Plan Highlights

Due to the diversification of the Plan's portfolio, the total return of the portfolio was 16.3% for the 2007 year and ranked in the top 10 percent of the Wilshire Public Fund Universe sample, 2.6% above the target index return of 13.7%. Actual net returns from investments in 2007 were $16,471,962, compared with $8,845,372 in 2006.

Due to the diversification of the Plan's portfolio, the total return of the portfolio was 9.3% for the 2006 year and ranked in the top 8 percent of the Merrill Lynch national fund sample, .4% above the target index return of 8.9%. Actual net returns from investments in 2006 were $8,845,372, compared with $8,445,145 in 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued (REQUIRED SUPPLEMENTARY INFORMATION)

Using the Audited Financial Statements

The financial statements reflect the activities of the Plan and are reported in the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. These statements are presented on a full accrual basis, reflect all trust activities as incurred and are based on a snapshot in time of account balances of investments at fiscal year end.

Statement of Plan Net Assets

The following condensed comparative Statement of Plan Net Assets demonstrates the investment position of the Plan.

	2007	2006	2005
Cash and cash equivalents	$ 4,935,913	$ 2,799,233	$ 2,161,394
Receivables	739,080	395,254	451,635
Investments	121,595,759	106,511,397	98,560,050
Other assets	30,446	2,978	2,978
Total assets	127,301,198	109,708,862	101,176,057
Liabilities	2,393,308	1,209,086	995,976
Net assets	$ 124,907,890	$108,499,776	$100,180,081

Statement of Changes in Plan Net Assets

The Statement of Changes in Plan Net Assets, displays the effect of pension fund transactions that occurred during the fiscal year, where Additions – Deductions = Net Increase (or decrease) in Net Assets. The table below reflects a condensed comparative combined summary of the changes in net assets and reflects the activities of the Plan.

	2007	2006	2005
ADDITIONS:			
Contributions			
Members	$ 2,181,898	$ 1,761,103	$ 1,698,335
City	3,587,520	2,759,917	2,067,573
Broward County – sheriff's department	417,681	342,911	240,705
Broward County – library	59,039	41,233	32,946
Total	6,246,138	4,905,164	4,039,559
Net investment income	16,469,030	8,845,372	8,445,145
Total additions	22,715,168	13,750,536	12,484,704
DEDUCTIONS:			
Benefits paid	5,457,223	4,783,841	4,695,826
Refund of contributions	367,129	221,074	271,781
Administrative expenses	482,702	425,926	389,013
Total deductions	6,307,054	5,430,841	5,356,620
Net increase	16,408,114	8,319,695	7,128,084
Net assets held in trust for pension benefits at beginning of year	108,499,776	100,180,081	93,051,997
Net assets held in trust for pension benefits at end of year	$124,907,890	$108,499,776	$100,180,081

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
(REQUIRED SUPPLEMENTARY INFORMATION)

Statement of Changes in Plan Net Assets (continued)

The Plan's investment activities, 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. There was opportunity for positive returns on investment of a diversified portfolio for this year. Actual returns increased from those of fiscal years ended 2006 and 2005.

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

Asset Allocation

At September 30, 2007, the domestic equity portion comprised 51.6% ($65,272,820) of the total portfolio. The allocation to fixed income securities was 21.2% ($26,838,118), while cash and cash equivalents comprised 3.9% ($4,935,913). The portion of investments allocated to international equity and real estate was $12,789,781 and $16,695,040 or 10.1% and 13.2%, respectively of the total portfolio.

At September 30, 2006, the domestic equity portion comprised 53.8% ($58,801,328) of the total portfolio. The allocation to fixed income securities was 21.5% ($23,510,857), while cash and cash equivalents comprised 2.6% ($2,799,233). The portion of investments allocated to international equity and real estate was $13,033,660 and $11,165,552 or 11.9% and 10.2%, respectively of the total portfolio.

The target asset allocation as of September 30, 2007 and 2006 was as follows:

2007	2006	
40%	40%	Equity (domestic)
10%	10%	Equity (small/mid cap)
30%	30%	Fixed income
10%	10%	Equity (international)
10%	10%	Direct real estate
0%	0%	Other

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 finances and to demonstrate accountability for the money they receive. If you have any questions about this report or need additional financial information, contact The City of Pompano Beach General Employees' Retirement System, 555 South Andrews Avenue Suite 106, Pompano Beach, Florida 33069.

THE CITY OF POMPANO BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
SEPTEMBER 30, 2007 AND 2006

	2007	2006
Assets		
Cash and cash equivalents	$ 4,935,913	$ 2,799,233
Receivables		
Accrued interest and dividends	373,895	395,254
Receivable for securities sold	365,185	-
Total receivables	739,080	395,254
Investments, at fair value		
Common stocks	51,765,794	46,808,320
U.S. government securities	4,769,265	5,444,751
Corporate bonds and notes	22,068,853	18,066,106
Pooled index funds	13,507,026	11,993,008
International equity funds	16,695,040	13,033,660
Real estate funds	12,789,781	11,165,552
Total investments	121,595,759	106,511,397
Other assets		
Deposits	2,978	2,978
Property and equipment, net	27,468	-
Total other assets	30,446	2,978
Total assets	127,301,198	109,708,862
Liabilities		
Accrued expenses	150,031	146,706
Deferred retirement option plan payable	1,614,339	1,062,380
Payable for securities purchased	628,938	-
Total liabilities	2,393,308	1,209,086
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 16)	$ 124,907,890	$ 108,499,776

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

THE CITY OF POMPANO BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
Additions		
Contributions		
Members	$ 2,181,898	$ 1,761,103
City	3,587,520	2,759,917
Broward County - sheriff's department	417,681	342,911
Broward County - library	59,039	41,233
Total contributions	6,246,138	4,905,164
Investment income		
Net appreciation in fair value of investments	13,658,310	6,460,048
Interest	1,521,586	1,493,858
Dividends	1,857,715	1,512,609
Commission recapture	19,153	11,068
Other	86,222	23,049
Total investment income	17,142,986	9,500,632
Less: Investment expenses	569,451	577,384
Deferred retirement option plan participants' earnings	104,505	77,876
Net investment income	16,469,030	8,845,372
Total additions	22,715,168	13,750,536
Deductions		
Benefits paid	5,457,223	4,783,841
Refund of contributions	367,129	221,074
Administrative expenses	482,702	425,926
Total deductions	6,307,054	5,430,841
Net increase	16,408,114	8,319,695
Net assets held in trust for pension benefits		
Beginning of year	108,499,776	100,180,081
End of year	$ 124,907,890	$ 108,499,776

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Note 1 - Description of the Plan

a. Organization

The City of Pompano Beach General Employees' Retirement System (the Plan) is a single employer defined benefit pension plan established by the City of Pompano Beach, Florida (the City) on September 25, 1972. The Plan reflects the provisions and requirements of Ordinance Section No. 34.010 through 34.038, as amended. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

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

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

b. Participants

Participants are all general employees with full-time status in the City of Pompano Beach, Florida who have met the requirements of the City's merit system.

c. Membership

As of October 1, 2007 and 2006, membership in the Plan consisted of:

	2007	2006
Retirees and beneficiaries currently receiving benefits, including DROP and terminated employees entitled to benefits but not yet receiving them.	314	300
Current employees:		
Vested	229	233
Nonvested	283	275
	512	508

d. Pension Benefits

Normal retirement shall be the earlier of attainment of age 55 and 20 completed years of credited service or age 62 and completed 3 years of credited service.

Normal retirement benefit is calculated using 2.75% (2.50% for members retiring prior to October 1, 2005) of the Average Monthly Salary multiplied by the years of credited service. Average Monthly Salary is the average of the highest completed 78 biweekly pay periods (times 1.0048).

Note 1 - Description of the Plan (continued)

d. Pension Benefits (continued)

Several benefit options are available to employees, which should be elected at time of retirement. Early retirement, disability, death and other benefits are also provided.

A member has vested benefits after 10 years of creditable service in accordance with qualifications under the plan.

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

Participation in the DROP is limited to 60 months.

e. Funding Requirements
Member Contributions:
Prior to October 4, 2006, all members are required to contribute to the Plan 7% of their annual salary ("picked-up" by the City) and each member's actual contributions are individually accumulated. Based on an ordinance passed in April 2006 this rate increases to 8.5% effective October 4, 2006 and 10% effective October 4, 2007. If a member terminates their employment before they become eligible to receive benefits, the accumulated contributions will be returned to the members plus interest at 3% per year.

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

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

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Member contributions are recognized as revenues in the period in which employee services are performed. Employer contributions are recognized as revenues when due pursuant to actuarial valuations. Interest and dividend income are recorded as earned.

b. Adoption of New Accounting Standards

In May 2007, the Governmental Accounting Standards Board issued GASB Statement No. 50, "Pension Disclosures" (an amendment of GASB Statement No. 25 and No. 27) effective for financial statements with periods beginning after June 15, 2007. We are currently evaluating the impact of the adoption of this pronouncement, but do not expect the impact to be material to the Plan's financial statements.

c. Cash Equivalents

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

d. Investments

The fair value of quoted equity investments is based on the aggregate fair market value as of September 30, 2007 and 2006. The fair value of quoted investments is based on the closing sales price or bid price as reported by recognized security exchanges. Bonds are reported at established fair value.

Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statement of changes in plan net assets along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on a trade-date basis.

d. Property and Equipment

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

f. Use of Estimates

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

Note 3 – Contributions

a. Actual Contributions

The actual employer contributions for active employees for the years ended September 30, 2007 and 2006 amounted to $4,064,240 and $3,144,061, respectively, and the actual amount of covered payroll was approximately $25,890,000 and $24,480,000, respectively.

Contributions consisted of the following:

	2007	
Employer:	Amount	Percent of Actual Covered Annual Payroll
City	$ 3,587,520	13.86%
Broward County - Sheriff	417,681	1.61
Broward County - Library	59,039	0.23
Total employer contributions	$ 4,061,240	15.70%

Member contributions were $2,181,898 including buybacks.

	2006	
Employer:	Amount	Percent of Actual Covered Annual Payroll
City	$ 2,759,917	11.27%
Broward County - Sheriff	342,911	1.40
Broward County - Library	41,233	0.17
Total employer contributions	$ 3,144,061	12.84%

Member contributions were $1,761,103 including buybacks.

Note 3 – Contributions (continued)

b. Actuarially Determined Contributions

The contributions required from The City of Pompano Beach and other contributing entities for the fiscal years ended September 30, 2007 and 2006, were actuarially determined using valuation dates of October 1, 2005 and 2004, respectively. The actuarially computed annual covered payroll used in the October 1, 2005, valuation was $23,189,398 and the actuarially computed annual covered payroll used in the October 1, 2004 valuation was $22,640,214.

The amounts cover the following:

	2007	
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	$2,305,376	9.94%
Amortization of the unfunded frozen actuarial accrued liability	1,756,586	7.57%
Total	$ 4,061,962	17.51%

	2006	
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	$2,159,767	9.54%
Amortization of the unfunded frozen actuarial accrued liability	982,694	4.34%
Total	$3,142,461	13.88%

Note 4 – Deposit and Investment Risk Disclosures

a. Investment Authorization

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

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 70% (at market) of the Plan's total asset value with no more than 5% of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks of foreign companies shall be limited to 25% (at cost) (15% prior to September 18, 2007) of the value of the portfolio. No more than 25% of the equity securities are to be invested in small or mid-cap stocks and shares of stock in those corporations whose stock has been publicly traded for less than one year are limited to 15% of the equity portfolio.

Note 4 – Deposit and Investment Risk Disclosures (continued)

a. Investment Authorization (continued)

The average credit quality of the bond portfolio shall be "A" or higher and the duration of the fixed income portfolio should be less than 135% (150% prior to September 18, 2007) of the duration of the market index defined as the Lehman Aggregate Bond Index. The fixed income portfolio shall be comprised of securities rated "BBB" or higher by Standard & Poors rating services with no more than 5% of an investment manager's total fixed income portfolio invested in the securities of a single corporate issuer.

b. Types of Investments

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

Authorized investments	Target % of portfolio
Domestic equities	40%
Equities (small/mid cap)	10%
Fixed income	30%
International equities	10%
Direct real estate	10%

c. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

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

2007

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	$ 1,201,838	$ 0	$ 0	$ 0	$ 1,201,838
U.S. agencies	3,567,427	0	545,548	1,669,438	1,352,441
Corporate bonds and notes	22,068,853	500,791	9,193,008	6,530,287	5,844,767
	$26,838,118	$ 500,791	$ 9,738,556	$ 8,199,725	$ 8,399,046

2006

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	$ 2,009,464	$ 0	$ 0	$ 1,539,870	$ 469,594
U.S. agencies	3,435,287	0	1,541,865	1,304,214	589,208
Corporate bonds and notes	18,066,106	1,802,980	8,289,642	3,923,667	4,049,817
	$23,510,857	$ 1,802,980	$ 9,831,507	$ 6,767,751	$ 5,108,619

Note 4 – Deposit and Investment Risk Disclosures (continued)

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

The following table discloses credit ratings by investment type, at September 30, 2007 and 2006, as applicable:

	2007		2006	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	$ 4,769,265	17.77%	$ 5,444,751	23.16%
Quality rating of credit risk debt securities				
AAA	$ 3,138,594	11.69%	$ 1,710,830	7.28%
AA	4,467,120	16.64%	4,223,849	17.97%
A	12,457,304	46.42%	11,085,946	47.15%
BBA	0	0%	1,045,481	4.44%
BBB	2,005,835	7.48%	0	0%
Total credit risk debt securities	22,068,853	82.23%	18,066,106	76.84%
Total fixed income securities	$ 26,838,118	100.00%	$ 23,510,857	100.00%

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

e. 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 assets at September 30, 2007 and 2006.

f. Custodial Credit Risk
This is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name.

Note 5 – Property and Equipment

Property and equipment consist of the following at September 30, 2007:

	Estimated Useful Life	
Leasehold improvements	6	$ 32,962
Total cost		32,962
Less: accumulated depreciation		5,494
Net		$ 27,468

Note 6 – Commitments

The Plan is obligated for payments under an operating lease for office space expiring in September, 2012, a copier lease expiring in November, 2009, and a postage meter lease expiring in March 2012. The following is a schedule of the future minimum lease payments under these leases:

For the year ending September 30,	Amount
2008	$ 27,875
2009	26,252
2010	26,801
2011	27,588
2012	28,118
Total	$ 136,634

THE CITY OF POMPANO BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2007
(unaudited)

Schedule "1" – Schedule of Funding Progress
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/1/01	$ 89,323	$ 85,000	$ (4,323)	105.1%	$ 20,759	(20.83)%
10/1/02	91,710	92,831	1,121	98.8	22,075	5.08
10/1/03	94,742	100,282	5,540	94.5	22,655	24.45
10/1/04	96,736	111,252	14,516	87.0	21,875	66.36
10/1/05	98,980	120,076	21,096	82.4	22,405	94.16
10/1/06	107,334	131,560	24,226	81.6	24,963	97.05

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

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2002	$ 609,191	100 %
2003	1,226,457	100
2004	1,849,695	100
2005	2,341,224	100
2006	3,142,461	100
2007	4,061,962	100

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

Valuation Date	10/1/06
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.0% – 11.0% varying by service
*Includes inflation at	3.5%
Cost-of-living adjustments	2.0%

SECTION II

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

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

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

We have audited the financial statements of The City of Pompano Beach General Employees' Retirement System (the "Plan") as of and for the year ended September 30, 2007 and have issued our report thereon dated November 19, 2007. 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

In planning and performing our audit, we considered the Plan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

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 and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Trustees, management, participants and applicable state and city agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Koch Leiss + Company, P.A.

November 19, 2007