



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

**Financial Statements  
Years Ended September 30, 2008 and 2007**



**Goldstein Schechter Koch**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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

We have audited the accompanying statement of plan net assets of The City of Pompano Beach General Employees' Retirement System (the Plan) at September 30, 2008, and the related statement of changes in plan net assets for the year 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 audit. The 2007 financial statements of The City of Pompano Beach General Employees' Retirement System were audited by Koch Reiss & Co., P.A., who merged with Goldstein Schechter Price Lucas Horwitz & Co., P.A., (now known as Goldstein Schechter Koch Price Lucas Horwitz & Co., P.A.) as of January 1, 2008, and whose report dated November 19, 2007, expressed an unqualified opinion on those statements.

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 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2008 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, 2008 and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2008 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 *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Management's discussion and analysis on pages 3 - 6 and the required supplementary information as listed in the accompanying table of contents are not a required part of the basic financial statements but are 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. The required supplementary information for the years ended September 30, 2003 through 2007 was reported on by Koch Reiss & Co., P.A., whose report states that they did not audit this information and did not express an opinion on it.

*Goldstein Schechter Koch Price Lucas Horwitz & Co., P.A.*

Hollywood, Florida  
December 16, 2008

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

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**Management's Discussion and Analysis**  
**(Required Supplementary Information)**

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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, 2008 and 2007. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

*Financial Highlights*

- Trust assets exceeded liabilities at the close of the fiscal year ended September 30, 2008 and 2007 by \$104,728,386 and by \$124,907,890, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The decrease of (\$20, 179,504) and the increase of \$16,408,114 of the respective years have resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.
- The Plan's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension benefit liability, changed from 82.4% as of the October 1, 2005 actuarial valuation to 81.6% as of the October 1, 2006 valuation and 82.7% as of the October 1, 2007 valuation.
- For the fiscal year ending September 30, 2008 employer contributions to the Plan, decreased \$647,752 or 15.9% based primarily on the actuarial valuation. Actual employer contributions were \$3,416,488 and \$4,064,240 for 2008 and 2007, respectively.

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, 2008 member contributions including buybacks increased by \$908,030 or a 41.6% increase. Actual member contributions, including buybacks were \$3,089,928 and \$2,181,898 for 2008 and 2007, respectively. Member contributions have grown from year to year, based on the number of active members, increases in salaries and increases in member contributions rates.

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

- For the fiscal year ending September 30, 2008, net investment income decreased by \$36,421,316 or 221.2%. Actual results were (\$23,261,154) and \$13,658,310 in net (depreciation) appreciation in fair value of investments for 2008 and 2007, respectively, and \$4,060,689 and \$3,379,301 income from interest and dividends and other investment income of \$118,084 and \$86,222, less Deferred Retirement Option Plan participants' earnings of \$164,439 and \$104,505 for 2008 and 2007, respectively. Investment expenses increased by \$139,973 or 24.6%.

## **Management's Discussion and Analysis** **(Required Supplementary Information) - continued**

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### *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, 2008, benefit payments increased by \$556,795 or 10.2%. Refunds of contributions decreased by \$179,412 or 48. %.

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, 2008, administrative expenses increased by \$49,197 from 2007 or 10.2% due primarily to increase in payments for actuarial expense.

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.

### *Plan Highlights*

The total return of the portfolio was - 15.8% for the 2008 year and ranked in the bottom 24 percent of the Wilshire Public Fund Universe sample, 3.5% below the target index return. Actual net returns from investments decreased in 2008 to (\$19,952,286), compared with \$16,469,030 in 2007.

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. Actual net returns from investments increased in 2007 to \$16,469,030, compared with \$8,845,372 in 2006.

### *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.

**Management's Discussion and Analysis**  
**(Required Supplementary Information) - continued**

*Statement of Plan Net Assets*

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

	2008	2007	2006
Cash and cash equivalents	\$ 3,066,173	\$ 4,935,913	\$ 2,799,233
Receivables	2,157,083	739,080	395,254
Investments	103,764,189	121,595,759	106,511,397
Other assets	24,951	30,446	2,978
<b>Total assets</b>	<b>109,012,396</b>	<b>127,301,198</b>	<b>109,708,862</b>
<b>Liabilities</b>	<b>4,284,010</b>	<b>2,393,308</b>	<b>1,209,086</b>
<b>Net assets</b>	<b>\$ 104,728,386</b>	<b>\$ 124,907,890</b>	<b>\$ 108,499,776</b>

*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.

	2008	2007	2006
<b>Additions:</b>			
Contributions			
Members	\$ 3,089,928	\$ 2,181,898	\$ 1,761,103
City	3,085,890	3,587,520	2,759,917
Broward County – Sheriff's Department	291,920	417,681	342,911
Broward County – Library	38,678	59,039	41,233
<b>Total</b>	<b>6,506,416</b>	<b>6,246,138</b>	<b>4,905,164</b>
<b>Net investment (loss) income</b>	<b>(19,952,286)</b>	<b>16,469,030</b>	<b>8,845,372</b>
<b>Total (reductions) additions</b>	<b>(13,445,870)</b>	<b>22,715,168</b>	<b>13,750,536</b>
<b>Deductions:</b>			
Benefits paid	6,014,018	5,457,223	4,783,841
Refund of contributions	187,717	367,129	221,074
Administrative expenses	531,899	482,702	425,926
<b>Total deductions</b>	<b>6,733,634</b>	<b>6,307,054</b>	<b>5,430,841</b>
<b>Net (decrease) increase</b>	<b>(20,179,504)</b>	<b>16,408,114</b>	<b>8,319,695</b>
<b>Net assets held in trust for pension</b>			
benefits at beginning of year	124,907,890	108,499,776	100,180,081
<b>Net assets held in trust for pension</b>			
benefits at end of year	\$ 104,728,386	\$ 124,907,890	\$ 108,499,776

## Management's Discussion and Analysis (Required Supplementary Information) - continued

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### *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. Actual returns decreased from those of fiscal years ended 2007 and 2006.

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, 2008, the domestic equity portion comprised 53.5% (\$57,151,178) of the total portfolio. The allocation to fixed income securities was 19.9% (\$21,278,051), while cash and cash equivalents comprised 2.9% (\$3,066,173). The portion of investments allocated to international equity and real estate was \$12,493,382 and \$12,841,578 or 11.7% and 12.0%, respectively of the total portfolio.

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.

The target asset allocation as of September 30, 2008 and 2007 was as follows:

	2008	2007
Equity (domestic)	30%	40%
Equity (small/mid cap)	10%	10%
Fixed income	20%	30%
Equity (international)	15%	10%
Direct real estate	10%	10%
Absolute Return	15%	0%

### *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, 2008 and 2007

	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 3,066,173	\$ 4,935,913
Receivables:		
Accrued interest and dividends	274,516	373,895
Receivable for securities sold	1,882,567	365,185
<b>Total receivables</b>	<b>2,157,083</b>	<b>739,080</b>
Investments, at fair value:		
Common stocks	41,502,302	51,765,794
U.S. government securities	8,471,534	4,769,265
Corporate bonds and notes	12,806,517	22,068,853
Domestic equity funds	15,648,876	13,507,026
International equity funds	12,493,382	16,695,040
Real estate funds	12,841,578	12,789,781
<b>Total investments</b>	<b>103,764,189</b>	<b>121,595,759</b>
Other assets:		
Deposits	2,978	2,978
Property and equipment, net	21,973	27,468
<b>Total other assets</b>	<b>24,951</b>	<b>30,446</b>
<b>Total assets</b>	<b>109,012,396</b>	<b>127,301,198</b>
<b>Liabilities</b>		
Accrued expenses	159,702	150,031
Deferred retirement option plan payable	1,458,826	1,614,339
Payable for securities purchased	2,665,482	628,938
<b>Total liabilities</b>	<b>4,284,010</b>	<b>2,393,308</b>
<b>Net assets held in trust for pension benefits</b> (a schedule of funding progress is presented on page 19)	<b>\$ 104,728,386</b>	<b>\$ 124,907,890</b>

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, 2008 and 2007

	2008	2007
<b>Additions:</b>		
Contributions		
Members	\$ 3,089,928	\$ 2,181,898
City	3,085,890	3,587,520
Broward County - sheriff's department	291,920	417,681
Broward County - library	38,678	59,039
<b>Total contributions</b>	<b>6,506,416</b>	<b>6,246,138</b>
<b>Investment income:</b>		
Net (depreciation) appreciation in fair value of investments	(23,261,154)	13,658,310
Interest	1,359,787	1,521,586
Dividends	2,700,902	1,857,715
Commission recapture	3,958	19,153
Other	118,084	86,222
<b>Total investment (loss) income</b>	<b>(19,078,423)</b>	<b>17,142,986</b>
Less: Investment expenses	709,424	569,451
Deferred retirement option plan participants' earnings	164,439	104,505
<b>Net investment (loss) income</b>	<b>(19,952,286)</b>	<b>16,469,030</b>
<b>Total (reductions) additions</b>	<b>(13,445,870)</b>	<b>22,715,168</b>
<b>Deductions:</b>		
Benefits paid	6,014,018	5,457,223
Refund of contributions	187,717	367,129
Administrative expenses	531,899	482,702
<b>Total deductions</b>	<b>6,733,634</b>	<b>6,307,054</b>
<b>Net (decrease) increase</b>	<b>(20,179,504)</b>	<b>16,408,114</b>
<b>Net assets held in trust for pension benefits:</b>		
<b>Beginning of year</b>	<b>124,907,890</b>	<b>108,499,776</b>
<b>End of year</b>	<b>\$ 104,728,386</b>	<b>\$ 124,907,890</b>

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

**The City of Pompano Beach**  
**General Employees' Retirement System**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

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**Note 1 - Description of the Plan**

*Organization*

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

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

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

*Participants*

Participants are all general employees with full-time status, elected officials and appointees in the City of Pompano Beach, Florida who have met the requirements of the City's merit system. Effective December 11, 2007, senior management employees became eligible to participate in the Plan.

*Membership*

As of October 1, 2008 and 2007, membership in the Plan consisted of:

	2008	2007
Retirees and beneficiaries currently receiving benefits, including DROP and terminated employees entitled to benefits but not yet receiving them.	324	314
Current employees:		
Vested	228	229
Nonvested	290	283
	<b>518</b>	<b>512</b>

*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% 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).

**The City of Pompano Beach**  
**General Employees' Retirement System**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

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**Note 1 - Description of the Plan (continued)**

*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.

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

*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.

*Funding Requirements*

**Member Contributions:**

Prior to October 4, 2006, all members were 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.

**County Contributions:**

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

*Investments*

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

**The City of Pompano Beach**  
**General Employees' Retirement System**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

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**Note 2 - Summary of Significant Accounting Policies**

*Basis of Accounting*

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

*New Pronouncements*

The Trust adopted Governmental Accounting Standards Board (GASB) Statement No. 50 "Pension Disclosures" (GASB 50) which amends GASB Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Governmental Employers. GASB 50 requires disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan and other actuarial information which had previously been provided as required supplementary information. The adoption of GASB 50 had an impact on the presentation of the notes to the financial statements but no impact on net assets.

*Cash Equivalents*

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

*Investments*

The fair value of quoted equity investments is based on the aggregate fair market value as of September 30, 2008 and 2007. 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. Dividends and interest income are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

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

*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 straight-line method.

**The City of Pompano Beach**  
**General Employees' Retirement System**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

**Note 2 - Summary of Significant Accounting Policies (continued)**

*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.

*Income Tax Status*

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

*Risk and Uncertainties*

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

**Note 3 – Funded Status and Funding Progress**

The funded status of the Plan as of September 30, 2008, the most recent actuarial valuation date, is as follows, (in thousands):

<b>Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability AAL</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as % of Covered Payroll</b>
10/01/07	\$ 118,773	\$ 143,587	\$ 24,814	82.7%	\$ 26,692	92.96%

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

Additional information as of the latest actuarial valuation follows:

Valuation date	10/01/07
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
*Included inflation at	3.5%
Cost of living adjustments	2.0%

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

Notes to Financial Statements  
September 30, 2008 and 2007

**Note 4 – Contributions**

*Actual Contributions*

The actual employer contributions for active employees for the years ended September 30, 2008 and 2007 amounted to \$3,416,488 and \$4,064,240, respectively, and the actual amount of covered payroll was approximately \$27,400,000 and \$25,890,000, respectively. The actual member contributions for the years ended September 30, 2008 and 2007 amounted to \$3,089,928 and \$2,181,898, respectively, and included buyback amounts of \$376,827 and \$9,468, respectively.

<b>2008</b>		
	<b>Amount</b>	<b>Percent of Actual Covered Annual Payroll</b>
<b>Employer contributions consisted of:</b>		
City	\$ 3,085,890	11.26%
Broward County – Sheriff	291,920	1.07%
Broward County – Library	38,678	0.14%
<b>Total employer contributions</b>	<b>\$ 3,416,488</b>	<b>12.47%</b>

	<b>Amount</b>	<b>Percent of Actual Covered Annual Payroll</b>
<b>Member contributions consisted of:</b>		
Plan members	\$ 2,713,101	9.90%
<b>Total member contributions</b>	<b>\$ 2,713,101</b>	<b>9.90%</b>

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

	<b>Amount</b>	<b>Percent of Actual Covered Annual Payroll</b>
<b>Member contributions consisted of:</b>		
Plan members	\$ 2,172,430	8.39%
<b>Total member contributions</b>	<b>\$ 2,172,430</b>	<b>8.39%</b>

**The City of Pompano Beach**  
**General Employees' Retirement System**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

**Note 4 – Contributions (continued)**

*Actuarially Determined Contributions*

The contributions required from The City of Pompano Beach and other contributing entities for the fiscal years ended September 30, 2008 and 2007, were actuarially determined using valuation dates of October 1, 2006 and 2005, respectively. The actuarially computed annual covered payroll used in the October 1, 2006, valuation was \$25,836,234 and the actuarially computed annual covered payroll used in the October 1, 2005 valuation was \$23,189,398.

The amounts cover the following:

2008		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	\$ 1,847,653	7.15%
Amortization of the unfunded frozen Actuarial accrued liability	1,567,897	6.07%
<b>Total</b>	<b>\$ 3,415,550</b>	<b>13.22%</b>
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%
<b>Total</b>	<b>\$ 4,061,962</b>	<b>17.51%</b>

**Note 5 – Deposit and Investment Risk Disclosures**

*Investment Authorization*

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

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 70% (at market) of the Plan's total asset value with no more than 5% of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks of foreign companies shall be limited to 25% (at cost) (15% prior to September 18, 2007) of the value of the portfolio.



**The City of Pompano Beach**  
**General Employees' Retirement System**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

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**Note 5 – Deposit and Investment Risk Disclosures (continued)**

*Investment Authorization (continued)*

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

The average credit quality of the bond portfolio shall be "A" or higher and the duration of the fixed income portfolio should be less than 135% (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.

*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:

<b>Authorized investments</b>	<b>Target % of portfolio</b>
Domestic equities	30%
Equities (small/mid cap)	10%
Fixed income	20%
International equities	15%
Direct real estate	10%
Absolute return	15%

*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:

**The City of Pompano Beach**  
**General Employees' Retirement System**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

**Note 5 – Deposit and Investment Risk Disclosures (continued)**

2008					
Investment Maturities					
(in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 496,534	\$ -	\$ -	\$ 57,961	\$ 438,573
U.S. agencies	7,975,000	961	11,666	1,150,627	6,811,746
Corporate bonds and notes	12,806,517	1,015,667	4,350,201	3,459,931	3,980,718
	<u>\$ 21,278,051</u>	<u>\$ 1,016,628</u>	<u>\$ 4,361,867</u>	<u>\$ 4,668,519</u>	<u>\$11,231,037</u>

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	\$ -	\$ -	\$ -	\$ 1,201,838
U.S. agencies	3,567,427	-	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
	<u>\$ 26,838,118</u>	<u>\$ 500,791</u>	<u>\$ 9,738,556</u>	<u>\$ 8,199,725</u>	<u>\$ 8,399,046</u>

**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 City of Pompano Beach**  
**General Employees' Retirement System**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

**Note 5 – Deposit and Investment Risk Disclosures (continued)**

The following table discloses credit ratings by investment type, at September 30, 2008 and 2007, as applicable:

	2008		2007	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 8,471,534	39.81%	\$ 4,769,265	17.77%
Quality rating of credit risk debt securities				
AAA	1,826,734	8.59	3,138,594	11.69
AA	626,450	2.94	4,467,120	16.64
AA-	918,582	4.32	-	-
A	3,279,006	15.41	12,457,304	46.42
A-	1,863,712	8.76	-	-
A+	1,928,551	9.06	-	-
BBB	735,329	3.46	2,005,835	7.48
BBB-	319,760	1.50	-	-
BBB+	906,785	4.26	-	-
Not rated	401,608	1.89	-	-
Total credit risk debt Securities	12,806,517	60.19	22,068,853	82.23
Total fixed income securities	\$ 21,278,051	100.00%	\$ 26,838,118	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.

*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, 2008 and 2007.

*Custodial Credit Risk*

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities are uninsured, are not registered in the name of the Plan and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

**The City of Pompano Beach**  
**General Employees' Retirement System**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

**Note 5 – Deposit and Investment Risk Disclosures (continued)**

*Custodial Credit Risk (continued)*

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

**Note 6 – Property and Equipment**

Property and equipment consist of the following at September 30, 2008 and 2007:

	<b>Estimated Useful Life</b>	<b>2008</b>	<b>2007</b>
<b>Leasehold improvements</b>	6	\$ 32,962	\$ 32,962
Total cost		32,962	32,962
<b>Less: accumulated depreciation</b>		<b>(10,989)</b>	<b>(5,494)</b>
<b>Net</b>		<b>\$ 21,973</b>	<b>\$ 27,468</b>

**Note 7 – Commitments**

The Plan is obligated for payments under an operating lease for office space expiring in September, 2012, a computer services lease expiring in August 2009, a copier lease expiring in September, 2011, and a postage meter lease expiring in March 2012. The following is a schedule of the future minimum lease payments under these leases:

<b>For the year ending September 30,</b>	<b>Amount</b>
2009	\$ 31,199
2010	29,213
2011	30,000
2012	25,798
<b>Total</b>	<b>\$ 116,210</b>

**Note 8 – Subsequent Events**

Subsequent to September 30, 2008, there have been significant negative economic developments surrounding overall market liquidity, credit availability and collateral values. The results of these developments have led to broad declines in investment values. The Plan invests in various diversified types of securities, and these securities may have been impacted, perhaps significantly, from these events. The Plan is a long-term investor in highly diversified investments and in a position to withstand market volatility.

**Supplementary Information**

**The City of Pompano Beach**  
**General Employees' Retirement System**  
**Required Supplementary Information**  
**September 30, 2008**  
**(unaudited)**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Pavroll</b>	<b>UAAL as a % of Covered Pavroll</b>
10/01/02	\$ 91,710	\$ 92,831	\$ 1,121	98.8%	\$ 22,075	5.08%
10/01/03	94,742	100,282	5,540	94.5	22,655	24.45
10/01/04	96,736	111,252	14,516	87.0	21,875	66.36
10/01/05	98,980	120,076	21,096	82.4	22,405	94.16
10/01/06	107,334	131,560	24,226	81.6	24,963	97.05
10/01/07	118,773	143,587	24,814	82.7	26,692	92.96

**Schedule "2"**  
**Schedule of Contributions by Employers**

<b>Year Ended September 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
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
2008	3,415,550	100

**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, 2008, and have issued our report thereon dated December 16, 2008. 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 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Plan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with general accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Plan's financial statements that is more than inconsequential will not be prevented or detected by the Plan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Plan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*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 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*.

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.

*Goldstein Schechter Koch Price Lucas Horwitz & Co., P.A.*

Hollywood, Florida  
December 16, 2008