



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

**Financial Statements
Years Ended September 30, 2010 and 2009**



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

The City of Pompano Beach
General Employees' Retirement System
Table of Contents

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 6
Financial Statements:	
Statements of Plan Net Assets	7
Statements of Changes in Plan Net Assets	8
Notes to Financial Statements.....	9 - 20
Required Supplementary Information:	
Schedule 1 – Schedule of Funding Progress.....	21
Schedule 2 – Schedule of contributions by employer and other contributing entities.....	21
Other Supplementary Schedules:	
Schedule 1 – Schedule of investment expenses.....	22
Schedule 2 – Schedule of administrative expenses.....	22
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	23 - 24



Independent Auditors' Report

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 (the Plan) as of September 30, 2010 and 2009, 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 *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 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, 2010 and 2009 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 *Government Auditing Standards*, we have also issued our report dated December 21, 2010 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.



Goldstein Schechter Koch

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Management's discussion and analysis 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, 2005 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying supplementary schedules of investment expenses and administrative expenses (other supplementary schedules) as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Other supplementary schedules have been subjected to auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
December 21, 2010

City of Pompano Beach

General Employees' Retirement System

555 South Andrews Avenue
Suite 106
Pompano Beach, Florida 33069
(954) 782-2660
(954) 782-2704
Fax (954) 942-7901

Management's Discussion and Analysis (Required Supplementary Information - Unaudited) September 30, 2010 and 2009

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, 2010 and 2009. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal year ended September 30, 2010 and 2009 by \$103,483,123 and by \$96,993,640, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The increase of \$6,489,483 and the decrease of (\$7,734,746) 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 82.7% as of the October 1, 2007 actuarial valuation to 81.9% as of the October 1, 2008 valuation and 73.6% as of the October 1, 2009 valuation.
- For the fiscal year ending September 30, 2010 employer contributions (City and Broward County) to the Plan, increased \$632,000 or 17.0% based primarily on the actuarial valuation. Actual employer contributions were \$4,338,870 and \$3,706,870 for 2010 and 2009, respectively.

For the fiscal year ending September 30, 2009 employer contributions (City and Broward County) to the Plan, increased \$290,382 or 8.5% based primarily on the actuarial valuation. Actual employer contributions were \$3,706,870 and \$3,416,488 for 2009 and 2008, respectively.

- For the fiscal year ending September 30, 2010 member contributions including buybacks decreased by \$9,190 or a 0.3% decrease. Actual member contributions, including buybacks were \$2,868,571 and \$2,877,761 for 2010 and 2009, respectively. Member contributions fluctuate from year to year, based on the number of active members, changes in salaries and changes in member contribution rates.

For the fiscal year ending September 30, 2009 member contributions including buybacks decreased by \$212,167 or a 6.9% decrease. Actual member contributions, including buybacks were \$2,877,761 and \$3,089,928 for 2009 and 2008, respectively. Member contributions fluctuate from year to year, based on the number of active members, changes in salaries and changes in member contribution rates.

Management's Discussion and Analysis

(Required Supplementary Information - Unaudited) – continued
September 30, 2010 and 2009

Financial Highlights – (continued)

- For the fiscal year ending September 30, 2010, net investment income increase by \$14,187,174 or 203.8%. Actual results were \$6,090,541 and (\$8,126,947) in net appreciation (depreciation) in fair value of investments for 2010 and 2009, respectively, and \$1,996,538 and \$1,995,199 in income from interest and dividends and other investment income of \$28,060 and \$43,322, less Deferred Retirement Option Plan participants' earnings of \$179,604 and \$145,292 for 2010 and 2009, respectively. Investment expenses decreased by \$17,921 or 2.5%.

For the fiscal year ending September 30, 2009, net investment loss decreased by \$12,990,870 or 65.1%. Actual results were (\$8,126,947) and (\$23,261,154) in net depreciation in fair value of investments for 2009 and 2008, respectively, and \$1,995,199 and \$4,060,689 in income from interest and dividends and other investment income of \$41,280 and \$118,084, less Deferred Retirement Option Plan participants' earnings of \$145,292 and \$164,439 for 2009 and 2008, respectively. Investment expenses increased by \$18,274 or 2.6%.

- For the fiscal year ending September 30, 2010, benefit payments increased by \$770,253 or 11.8%. Refunds of contributions decreased by \$208,889 or 69.8%.

For the fiscal year ending September 30, 2009, benefit payments increased by \$527,483 or 8.8%. Refunds of contributions increased by \$111,471 or 59.4%.

- For the fiscal year ending September 30, 2010, administrative expenses increased by \$24,391 from 2009 or 4.7% due primarily to increase in trustee expenses.

For the fiscal year ending September 30, 2009, administrative expenses decreased by \$14,627 from 2008 or 2.7% due primarily to decrease in payments for actuarial expense.

Plan Highlights

The total return of the portfolio was 7.5% for the 2010 year and ranked below average in the Wilshire Public Fund Universe sample, 2.0% below the target index return. Actual net income (loss) from investments were \$7,225,758 in 2010, compared with (\$6,961,416) in 2009.

The total return of the portfolio was - 5.3% for the 2009 year and ranked below average in the Wilshire Public Fund Universe sample, 4.6% below the target index return. Actual net losses from investments were (\$6,961,416) in 2009, compared with (\$19,952,286) in 2008.

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 plan 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 - Unaudited) – continued
September 30, 2010 and 2009

Statement of Plan Net Assets

The following condensed comparative Statement of Plan Net Assets demonstrates the investment position of the Plan as of September 30:

	2010	2009	2008
Cash and cash equivalents	\$ 2,774,008	\$ 2,375,904	\$ 3,066,173
Receivables	434,288	1,154,610	2,157,083
Investments	103,319,449	96,796,887	103,764,189
Other assets	13,967	19,458	24,951
Total assets	106,541,712	100,346,859	109,012,396
Liabilities	3,058,589	3,353,219	4,284,010
Net assets	\$ 103,483,123	\$ 96,993,640	\$ 104,728,386

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 statement of the changes in net plan assets and reflects the activities of the Plan for the years ended September 30:

	2010	2009	2008
Additions:			
Contributions			
Members	\$ 2,868,571	\$ 2,877,761	\$ 3,089,928
City	3,993,018	3,390,231	3,085,890
Broward County – Sheriff's Department	317,683	291,872	291,920
Broward County – Library	28,169	24,767	38,678
Total	7,207,441	6,584,631	6,506,416
Net investment gain (loss)	7,225,758	(6,961,416)	(19,952,286)
Total additions (reductions)	14,433,199	(376,785)	(13,445,870)
Deductions:			
Benefits paid	7,311,754	6,541,501	6,014,018
Refund of contributions	90,299	299,188	187,717
Administrative expenses	541,663	517,272	531,899
Total deductions	7,943,716	7,357,961	6,733,634
Net increase (decrease)	6,489,483	(7,734,746)	(20,179,504)
Net assets held in trust for pension			
benefits at beginning of year	96,993,640	104,728,386	124,907,890
Net assets held in trust for pension			
benefits at end of year	\$ 103,483,123	\$ 96,993,640	\$ 104,728,386

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited) – continued
September 30, 2010 and 2009

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 increased from those of fiscal years ended 2009 and 2008.

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, 2010, the domestic equity portion comprised 44.8% (\$47,482,181) of the total portfolio. The allocation to fixed income securities was 19.2% (\$20,369,729), while cash and cash equivalents comprised 2.5% (\$2,774,008). Private equity investments comprised 11.5% (12,176,358) of the total portfolio. The portion of investments allocated to international equity and real estate was \$14,608,305 and \$8,682,876 or 13.8% and 8.2%, respectively of the total portfolio.

At September 30, 2009, the domestic equity portion comprised 43.7% (\$43,343,220) of the total portfolio. The allocation to fixed income securities was 19.4% (\$19,240,911), while cash and cash equivalents comprised 2.4% (\$2,375,904). Private equity investments comprised 12.5% (12,387,892) of the total portfolio. The portion of investments allocated to international equity and real estate was \$13,608,217 and \$8,216,647 or 13.7% and 8.3%, respectively of the total portfolio.

The target asset allocation as of September 30, 2010 and 2009 was as follows:

	2010	2009
Equity (domestic)	30%	30%
Equity (international)	15%	15%
Equity (small/mid cap)	10%	10%
Fixed income	20%	20%
Absolute return	15%	15%
Direct real estate	10%	10%

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, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	\$ 2,774,008	\$ 2,375,904
Receivables:		
Accrued interest and dividends	233,786	218,130
Receivable for securities sold	200,502	936,480
Total receivables	434,288	1,154,610
Investments, at fair value:		
Common stocks	36,011,237	32,743,812
U.S. government securities	6,286,338	6,771,259
Corporate bonds and notes	14,083,391	12,469,652
Domestic equity funds	11,470,944	10,599,408
International equity funds	14,608,305	13,608,217
Private equity	12,176,358	12,387,892
Real estate funds	8,682,876	8,216,647
Total investments	103,319,449	96,796,887
Other assets:		
Deposits	2,978	2,978
Property and equipment, net	10,986	16,480
Total other assets	13,964	19,458
Total assets	106,541,709	100,346,859
Liabilities		
Accrued expenses	115,475	131,583
Deferred retirement option plan payable	2,635,216	2,135,182
Payable for securities purchased	307,895	1,086,454
Total liabilities	3,058,586	3,353,219
Net assets held in trust for pension benefits		
(a schedule of funding progress is presented on page 21)	\$ 103,483,123	\$ 96,993,640

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, 2010 and 2009

	2010	2009
Additions:		
Contributions		
Members	\$ 2,868,571	\$ 2,877,761
City	3,993,018	3,390,231
Broward County - sheriff's department	317,683	291,872
Broward County - library	28,169	24,767
Total contributions	7,207,441	6,584,631
Investment income:		
Net appreciation (depreciation) in fair value of investments	6,090,541	(8,126,947)
Interest	1,001,269	1,040,391
Dividends	995,269	954,808
Commission recapture	1,898	2,042
Other	26,162	41,280
Total investment income (loss)	8,115,139	(6,088,426)
Less: Investment expenses	709,777	727,698
Deferred retirement option plan participants' earnings	179,604	145,292
Net investment income (loss)	7,225,758	(6,961,416)
Total additions (reductions)	14,433,199	(376,785)
Deductions:		
Benefits paid	7,311,754	6,541,501
Refund of contributions	90,299	299,188
Administrative expenses	541,663	517,272
Total deductions	7,943,716	7,357,961
Net increase (decrease)	6,489,483	(7,734,746)
Net assets held in trust for pension benefits:		
Beginning of year	96,993,640	104,728,386
End of year	\$ 103,483,123	\$ 96,993,640

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, 2010 and 2009

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, appointees and senior managers in the City of Pompano Beach, Florida who have met the requirements of the City's merit system.

Membership

As of October 1, 2010 and 2009, membership in the Plan consisted of:

	2010	2009
Retirees and beneficiaries currently receiving benefits, including DROP and terminated employees entitled to benefits <u>but not yet receiving them.</u>	350	326
Current employees:		
Vested	233	237
Nonvested	253	272
	486	509

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, 2010 and 2009

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.

Cost of Living Adjustment (COLA)

The Plan allows for an annual guaranteed Cost of Living Adjustment (COLA) equal to two percent (2%) payable on October 1, plus an additional variable COLA equal to up to one percent (1%) if Plan earnings are sufficient (as certified by the Plan's actuary). The COLA is payable to each Retiree who has been retired for at least one year at the time of COLA payment (October 1). All retirees and their beneficiaries are eligible for the COLA once they have been retired for one year.

Funding Requirements

Member Contributions:

All members are required to contribute 10% of their earnings to the Plan. If a member terminates their employment before they become eligible to receive benefits, the accumulated contributions will be returned to the members plus interest at 3% per year.

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.

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2010 and 2009

Note 1 - Description of the Plan (continued)

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.

Reclassifications

Reclassifications of certain prior year balances were made in order to conform to the current year presentation.

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 contributions are due. City and county contributions are recognized as revenues when due pursuant to actuarial valuations. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest and dividend income are recorded as earned.

Cash Equivalents

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

Investments

Plan investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair value of quoted investments is based on the closing sales price or bid price as reported by recognized security exchanges. The market values for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that value. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2010 and 2009. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investment securities is based on appraisals plus fiscal year-to-date capital expenditures.

Private equity partnerships are valued using their respective net asset value ("NAV") and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors. The management assumptions are based upon the nature of the investment and the underlying business. Because of the inherent uncertainty of the valuation for these private equity investments, the estimated fair value may differ from the values that would have been used had a ready market existed.

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Investments (continued)

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 net 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.

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.

Subsequent Events

Management has evaluated subsequent events through December 21, 2010, the date which the financial statements were available for issue.

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2010 and 2009

Note 3 – Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2009, the most recent actuarial valuation date, is as follows, (dollar amounts in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/01/09	\$ 118,955	\$ 161,585	\$ 42,630	73.6%	\$ 27,477	155.15%

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	09/30/09
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*	4.25% - 7.5% varying by service
*Includes 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, 2010 and 2009

Note 4 – Contributions

Actual Contributions

The actual employer contributions for active employees for the years ended September 30, 2010 and 2009 amounted to \$4,338,870 and \$3,706,870, respectively, and the actual amount of covered payroll was approximately \$28,300,000 and \$27,800,000, respectively. The actual member contributions for the years ended September 30, 2010 and 2009 amounted to \$2,868,571 and \$2,877,761, respectively, and included buyback amounts of \$36,361 and \$89,041, respectively.

	2010	
	Amount	Percent of Actual Covered Annual Payroll
Employer contributions consisted of:		
City	\$ 3,993,018	14.11%
Broward County – Sheriff	317,683	1.12%
Broward County – Library	28,169	0.10%
Total employer contributions	\$ 4,338,870	15.33%

	Amount	Percent of Actual Covered Annual Payroll
Member contributions consisted of:		
Plan members (net of buybacks)	\$ 2,832,210	10.01%
Total member contributions	\$ 2,832,210	10.01%

	2009	
	Amount	Percent of Actual Covered Annual Payroll
Employer contributions consisted of:		
City	\$ 3,390,231	12.20%
Broward County – Sheriff	291,872	1.05%
Broward County – Library	24,767	0.09%
Total employer contributions	\$ 3,706,870	13.34%

	Amount	Percent of Actual Covered Annual Payroll
Member contributions consisted of:		
Plan members (net of buybacks)	\$ 2,788,720	10.03%
Total member contributions	\$ 2,788,720	10.03%

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2010 and 2009

Note 4 – Contributions (continued)

Actuarially Determined Contributions

The contributions required from the City and other contributing entities for the fiscal years ended September 30, 2010 and 2009, were actuarially determined using valuation dates of October 1, 2008 and 2007, respectively. The actuarially computed annual covered payroll used in the October 1, 2008, valuation was \$27,477,655 and the actuarially computed annual covered payroll used in the October 1, 2007 valuation was \$27,626,347.

The amounts cover the following:

2010		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	\$ 2,509,266	9.13%
Amortization of the unfunded frozen Actuarial accrued liability	1,827,738	6.65%
Total	\$ 4,337,004	15.78%

2009		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	\$ 2,079,023	7.79%
Amortization of the unfunded frozen Actuarial accrued liability	1,625,670	6.09%
Total	\$ 3,704,693	13.88%

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) of the value of the portfolio.

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2010 and 2009

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% 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:

<u>Authorized investments</u>	<u>Target % of portfolio</u>
Domestic equities	30%
Equities (small/mid cap)	10%
International equities	15%
Fixed income	20%
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.

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2010 and 2009

Note 5 – Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk (continued)

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:

2010					
Investment Maturities					
(in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 835,423	\$ -	\$ -	\$ -	\$ 835,423
U.S. agencies	5,450,915	15	510,992	479,896	4,460,012
Corporate bonds and notes	14,083,391	286,796	5,797,444	3,225,558	4,773,593
	<u>\$ 20,369,729</u>	<u>\$ 286,811</u>	<u>\$ 6,308,436</u>	<u>\$ 3,705,454</u>	<u>\$10,069,028</u>

2009					
Investment Maturities					
(in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 478,284	\$ -	\$ -	\$ 322,075	\$ 156,209
U.S. agencies	6,292,975	-	173,063	876,040	5,243,872
Corporate bonds and notes	12,469,652	542,092	4,438,052	2,901,900	4,587,608
	<u>\$ 19,240,911</u>	<u>\$ 542,092</u>	<u>\$ 4,611,115</u>	<u>\$ 4,100,015</u>	<u>\$ 9,987,689</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, 2010 and 2009

Note 5 – Deposit and Investment Risk Disclosures (continued)

Credit Risk (continued)

The following table discloses Standard & Poor credit ratings by investment type, at September 30, 2010 and 2009, as applicable:

	2010		2009	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 6,286,338	30.86%	\$ 6,771,259	35.19%
Quality rating of credit risk debt securities				
AAA	2,475,516	12.15	2,235,989	11.62
AA+	656,338	3.22	513,290	2.67
AA	144,194	0.71	133,750	0.70
AA-	448,943	2.20	294,788	1.53
A+	1,302,392	6.39	1,020,372	5.30
A	4,444,422	21.82	3,978,503	20.68
A-	2,010,156	9.87	2,212,483	11.50
BAA	-	-	93,466	0.49
BBB+	1,109,086	5.44	868,037	4.51
BBB	1,107,098	5.44	515,841	2.68
BBB-	48,734	0.24	186,289	0.96
Not rated	336,512	1.66	416,844	2.17
Total credit risk debt Securities	14,083,391	69.14	12,469,652	64.81
Total fixed income securities	\$ 20,369,729	100.00%	\$ 19,240,911	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, 2010 and 2009.

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2010 and 2009

Note 5 – Deposit and Investment Risk Disclosures (continued)

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.

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 – Pension Plan

The Plan has a 401(a) plan covering eligible employees. The semi-monthly contribution to the plan is based on a specified percentage of the eligible employees' compensation. The Plan's contribution percentage is 10% for all employees. The total pension expense for the years ended September 30, 2010 and 2009 was \$13,197 and \$15,351, respectively.

Note 7 – Property and Equipment

Property and equipment consist of the following at September 30, 2010 and 2009:

	Estimated Useful Life	2010	2009
Leasehold improvements	6	\$ 32,962	\$ 32,962
<u>Less: accumulated depreciation</u>		<u>(21,976)</u>	<u>(16,482)</u>
<u>Net</u>		<u>\$ 10,986</u>	<u>\$ 16,480</u>

Depreciation expense for the years ended September 30, 2010 and 2009 was \$5,494 and \$5,494, respectively.

Note 8 – Commitments

Operating Leases

The Plan is obligated for payments under an operating lease for office space expiring in September, 2012, 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:

For the year ending September 30,	Amount
2011	\$ 29,213
2012	25,055
<u>Total</u>	<u>\$ 54,268</u>

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2010 and 2009

Note 8 – Commitments (continued)

Future financial commitment

The future financial commitments outstanding for private equity investments at September 30, 2010 and 2009 were \$4,968,000 and \$0, respectively. Subsequent to September 30, 2010, the Plan made a payment of approximately \$143,000 and reduced its commitment outstanding for private equity investments to \$4,825,000.

Required Supplementary Information

The City of Pompano Beach
General Employees' Retirement System
 Required Supplementary Information - Unaudited
 September 30, 2010

Schedule "1"
Schedule of Funding Progress
 (dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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
10/01/08	124,869	152,425	27,556	81.9	27,478	100.28
10/01/09	118,955	161,585	42,630	73.6	27,477	155.15

Schedule "2"
Schedule of Contributions by Employers and Other Contributing Entities

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2005	\$ 2,340,092	100%
2006	3,142,462	100
2007	3,732,673	100
2008	3,415,550	100
2009	3,704,693	100
2010	4,337,004	100

Other Supplementary Schedules

The City of Pompano Beach General Employees Retirement System
Other Supplementary Schedules of Investment Expenses and Administrative Expenses
For the Years Ended September 30, 2010 and 2009

	2010	2009
Schedule "1"		
Schedule of Investment Expenses		
Financial management expenses		
JPMorgan Investment Management, Inc.	\$ 265,448	\$ 303,692
DePrince, Race and Zollo, Inc.	72,117	54,091
Richmond Capital	60,509	57,814
Buckhead Capital	59,495	47,017
Rigel Capital, LLC	54,387	81,258
Munder Capital	41,990	31,499
Stralem & Company	13,944	-
RhumbLine Advisers	8,734	6,976
Total financial management expenses	576,624	582,347
Investment consultant fees		
Southeastern Advisory Services, Inc.	60,672	55,181
Investment custodial fees		
Salem Trust Company	72,481	90,170
Total investment expenses	\$ 709,777	\$ 727,698

Schedule "2"		
Schedule of Administrative Expenses		
Personnel services		
Salaries and payroll taxes	\$ 181,474	\$ 172,828
Fringe benefits	32,574	35,522
Total personnel services	214,048	208,350
Professional services		
Legal	97,799	86,246
Actuarial	24,040	42,500
Audit	19,500	19,500
Bookkeeping	-	3,420
Total professional services	141,339	151,666
Other		
Trustee expense	65,158	39,526
Rent	43,725	42,981
Insurance	22,099	21,806
Staff travel	10,278	3,518
Member education expense	5,048	1,805
Printing and office expense	13,126	13,578
Computer expense	7,708	6,822
Depreciation	5,494	5,494
Medical fees	5,346	2,294
Postage	1,519	1,517
Telephone	4,560	4,400
Dues & subscriptions	2,215	2,515
Tax requalification	-	5,000
Total other	186,276	151,256
Total administrative expenses	\$ 541,663	\$ 511,272

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, 2010, and have issued our report thereon dated December 21, 2010. 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 *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 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

Our consideration of internal control over financial reporting 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 deficiencies, 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*.



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, P.A.

Hollywood, Florida
December 21, 2010



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Coral Gables Office:

2121 Ponce De Leon Blvd., 11th Floor, Coral Gables, FL 33134 • Ph: (305) 442-2200, Fax: (305) 444-0880

Hollywood Office:

4000 Hollywood Blvd., Suite 215 South, Hollywood, FL 33021 • Ph: (954) 989-7462, Fax: (954)-962-1021

www.gskcpas.com