pompano beach
Florida's Warmest Welcome

The City of Pompano Beach General Employees' Retirement System

Financial Statements
Years Ended September 30, 2012 and 2011

Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

The City of Pompano Beach
General Employees' Retirement System
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Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2012 and 2011, 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, 2012 and 2011 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 18, 2012, on our consideration of The City of Pompano Beach General Employees' Retirement System's 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 considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information for the year ended September 30, 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 supplemental schedules of investment expenses and administrative expenses (other supplemental schedules) as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental schedules are 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 18, 2012

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Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2012 and 2011

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, 2012 and 2011. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements and required supplementary information. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal year ended September 30, 2012 and 2011 by $119,517,032 and $103,181,643, 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 $16,335,389 and the decrease of ($301,480) 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 73.6% as of the October 1, 2009 actuarial valuation to 74.2% as of the October 1, 2010 valuation and 69.7% as of the October 1, 2011 valuation.

- For the fiscal year ending September 30, 2012 employer contributions (City and Broward County) to the Plan, increased $450,450 or 8.4% based primarily on the actuarial valuation. Actual employer contributions were $5,801,971 and $5,351,521 for 2012 and 2011, respectively.

  For the fiscal year ending September 30, 2011 employer contributions (City and Broward County) to the Plan, increased $1,012,651 or 23.3% based primarily on the actuarial valuation. Actual employer contributions were $5,351,521 and $4,338,870 for 2011 and 2010, respectively.

- For the fiscal year ending September 30, 2012, member contributions including buybacks decreased by $108,333 or a 4.0% decrease. Actual member contributions, including buybacks were $2,572,184 and $2,680,517 for 2012 and 2011, 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, 2011, member contributions including buybacks decreased by ($188,054) or a 6.6% decrease. Actual member contributions, including buybacks were $2,680,517 and $2,868,571 for 2011 and 2010, respectively. Member contributions fluctuate from year to year, based on the number of active members, changes in salaries and changes in member contribution rates.

Financial Highlights – (continued)

- For the fiscal year ending September 30, 2012, net investment income increased by $16,979,914 or 2672.4%. Actual results were $15,637,404 and ($1,220,959) in net appreciation (depreciation) in fair value of investments for 2012 and 2011, respectively, and $2,973,956 and $2,903,208 in income from interest and dividends and other investment income of $12,995 and $18,234, less Deferred Retirement Option Plan participants' earnings of $258,131 and $250,311 for 2012 and 2011, respectively. Investment expenses decreased by $63,862 or 7.8%.

  For the fiscal year ending September 30, 2011, net investment income decreased by ($6,590,370) or 91.2%. Actual results were ($1,220,959) and $6,090,541 in net (depreciation) appreciation in fair value of investments for 2011 and 2010, respectively, and $2,903,208 and $1,996,538 in income from interest and dividends and other investment income of $18,234 and $28,060, less Deferred Retirement Option Plan participants' earnings of $250,311 and $179,604 for 2011 and 2010, respectively. Investment expenses increased by $105,007 or 14.8%.

- For the fiscal year ending September 30, 2012, benefit payments increased by $750,901 or 9.1%. Refunds of contributions decreased by $72,038 or 25.9%.

  For the fiscal year ending September 30, 2011, benefit payments increased by $895,423 or 12.2%. Refunds of contributions increased by $187,587 or 207.7%.

- For the fiscal year ending September 30, 2012, administrative expenses increased by $6,299 from 2011 or 1.3% due primarily to increase in professional fees.

  For the fiscal year ending September 30, 2011, administrative expenses decreased by $57,820 from 2010 or 10.7% due primarily to decrease in professional fees.

Plan Highlights

The total return of the portfolio was 17.5% for the 2012 year and ranked above average in the Wilshire Public Fund Universe sample, 0.4% above the target index return. Actual net income from investments were $17,615,302 in 2012, compared with $635,388 in 2011.

The total return of the portfolio was 2.5% for the 2011 year and ranked above average in the Wilshire Public Fund Universe sample, 0.5% below the target index return. Actual net income from investments were $635,388 in 2011, compared with $7,225,758 in 2010.

Overview of the Financial Statements

The basic financial statements include the Statements of Plan Net Assets and Statements of Changes in Plan Net Assets and Notes to the Financial Statements. The Plan also includes in this report additional information to supplement the financial statements.

The Plan presents two types of required supplementary schedules, which provide historical trend information about the Plan's funding. The two types of schedules include a schedule of funding progress and a schedule of contributions by employer and other contributing entities.

The Plan prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. These statements provide information about the Plan's overall financial status.

Description of the Financial Statements

The S*tatement of Plan Net Assets* presents information that includes all of the Plan's assets and liabilities, with the balance representing the Net Assets Held in Trust for Pension Benefits. It is a snapshot of the financial position of the Plan at that specific point in time and reflects the resources available to pay members, retirees and beneficiaries at that point in time.

The *Statement of Changes in Plan Net Assets* reports how the Plan's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plan from employers and members and net investment income, which include interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The *Notes to the Financial Statements* are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Plan, contributions, significant accounting policies, funding policy, and investment risk disclosure.

There are also two *Required Supplementary Schedules* included in this report as required by the Governmental Accounting Standards Board. The *Schedule of Funding Progress* presents historical trend information about the actuarially determined funded status of the Plan from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due. The *Schedule of Contributions by Employer and Other Contributing Entities* presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented.

Additional information is presented as part of *Other Supplementary Schedules*. This section is not required but management has chosen to include it. It includes *Schedules of Investment Expenses and Administrative Expenses.* The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the Plan and include financial management, consultant, and custodial fees. The *Schedule of Administrative Expenses* presents the expenses incurred in the administration of the Plan.

Statements of Plan Net Assets

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

	2012	2011	2010
Cash and cash equivalents	**$ 3,298,298**	$ 3,382,871	$ 2,774,008
Receivables	**494,377**	381,202	434,288
Investments	**119,639,452**	103,290,844	103,319,449
Other assets	**2,978**	8,470	13,964
Total assets	**123,435,105**	107,063,387	106,541,709
Liabilities	**3,918,073**	3,881,744	3,058,586
Net assets	**$ 119,517,032**	$ 103,181,643	$ 103,483,123

Statements of Changes in Plan Net Assets

The table below reflects condensed comparative statements of the changes in net plan assets and reflects the activities of the Plan for the fiscal years ended September 30:

	2012	2011	2010
Additions:			
Contributions			
Members	**$ 2,572,184**	$ 2,680,517	$ 2,868,571
City	**5,419,858**	4,926,040	3,993,018
Broward County – Sheriff's Department	**360,687**	396,377	317,683
Broward County – Library	**21,426**	29,104	28,169
Total	**8,374,155**	8,032,038	7,207,441
Net investment income	**17,615,302**	635,388	7,225,758
Total additions	**25,989,457**	8,667,426	14,433,199
Deductions:			
Benefits paid	**8,958,078**	8,207,177	7,311,754
Refund of contributions	**205,848**	277,886	90,299
Administrative expenses	**490,142**	483,843	541,663
Total deductions	**9,654,068**	8,968,906	7,943,716
Net increase (decrease)	**16,335,389**	(301,480)	6,489,483
Net assets held in trust for pension benefits at beginning of year	**103,181,643**	103,483,123	96,993,640
Net assets held in trust for pension benefits at end of year	**$ 119,517,032**	$ 103,181,643	$ 103,483,123

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 2011 and 2010.

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, 2012, the domestic equity portion comprised 47.3% ($58,198,914) of the total portfolio. The allocation to fixed income securities was 18.3% ($22,571,302), while cash and cash equivalents comprised 2.7% ($3,298,298). Private equity investments comprised 10.1% ($12,280,477) of the total portfolio. The portion of investments allocated to international equity and real estate was $15,086,262 and $11,502,497 or 12.3% and 9.3%, respectively of the total portfolio.

At September 30, 2011, the domestic equity portion comprised 43.8% ($46,691,161) of the total portfolio. The allocation to fixed income securities was 20.0% ($21,368,904), while cash and cash equivalents comprised 3.2% ($3,382,871). Private equity investments comprised 11.4% ($12,147,445) of the total portfolio. The portion of investments allocated to international equity and real estate was $12,806,113 and $10,277,221 or 12.0% and 9.6%, respectively of the total portfolio.

The target asset allocation as of September 30, 2012 and 2011 was as follows:

	2012	2011
Equity (domestic)	**30%**	30%
Equity (international)	**15%**	15%
Equity (small/mid cap)	**10%**	10%
Fixed income	**25%**	20%
Absolute return*	**10%**	15%
Direct real estate	**10%**	10%

* Absolute return strategies may include but not be limited to infrastructure, maritime, tactical asset allocation, TIPs, or market neutral.

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, 2012 and 2011

		2012		2011
Assets				
Cash and cash equivalents	**$**	**3,298,298**	$	3,382,871
Receivables:				
Employee contributions		**5,301**		-
County contributions		**11,375**		-
Accrued interest and dividends		**285,721**		255,487
Receivable for securities sold		**191,980**		125,715
Total receivables		**494,377**		381,202
Investments, at fair value:				
U.S. government securities		**8,220,272**		7,419,468
Common stocks		**43,154,528**		35,113,863
Domestic equity funds		**15,044,386**		11,577,298
International equity funds		**15,086,262**		12,806,113
Corporate bonds and notes		**14,351,030**		13,949,436
Private equity		**12,280,477**		12,147,445
Real estate funds		**11,502,497**		10,277,221
Total investments		**119,639,452**		103,290,844
Other assets:				
Deposits		**2,978**		2,978
Property and equipment, net		**-**		5,492
Total other assets		**2,978**		8,470
Total assets		**123,435,105**		107,063,387
Liabilities				
Accrued expenses		**133,572**		136,250
Deferred retirement option plan payable		**3,605,893**		3,512,291
Payable for securities purchased		**178,608**		233,203
Total liabilities		**3,918,073**		3,881,744
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 22)	**$**	**119,517,032**	$	103,181,643

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, 2012 and 2011

		2012		2011
Additions:				
Contributions				
Members	**$**	**2,572,184**	$	2,680,517
City		**5,419,858**		4,926,040
Broward County - sheriff's department		**360,687**		396,377
Broward County - library		**21,426**		29,104
Total contributions		**8,374,155**		8,032,038
Investment income:				
Net appreciation (depreciation) in fair value of investments		**15,637,404**		(1,220,959)
Interest		**1,066,590**		1,064,054
Dividends		**1,907,366**		1,839,154
Commission recapture		**3,108**		3,362
Other		**9,887**		14,872
Total investment income		**18,624,355**		1,700,483
Less: Investment expenses		**750,922**		814,784
Deferred retirement option plan participants' earnings		**258,131**		250,311
Net investment income		**17,615,302**		635,388
Total additions		**25,989,457**		8,667,426
Deductions:				
Benefits paid		**8,958,078**		8,207,177
Refund of contributions		**205,848**		277,886
Administrative expenses		**490,142**		483,843
Total deductions		**9,654,068**		8,968,906
Net increase (decrease)		**16,335,389**		(301,480)
Net assets held in trust for pension benefits:				
Beginning of year		**103,181,643**		103,483,123
End of year	**$**	**119,517,032**	$	103,181,643

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

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. Members are further divided in the following two tiers:

Tier One members are those members hired prior to June 8, 2011.
Tier Two members are those members hired on or after June 8, 2011.

Membership

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

	2012	2011
Retirees and beneficiaries currently receiving benefits, including DROP and terminated employees entitled to benefits but not yet receiving them.	**384**	368
Current employees:		
Vested	**240**	238
Nonvested	**232**	241
	472	479

Pension Benefits

All Members

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

Note 1 - Description of the Plan (continued)

Pension Benefits (continued)

All Members (continued)

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.

Tier One members

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.

Tier Two members

Normal retirement benefit is calculated using 2.00% of the Average Monthly Salary multiplied by the years of credited service. Average Monthly Salary is the average of the highest completed 130 biweekly pay periods times 1.0048.

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)

Tier One members

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.

Tier Two members

The Plan allows for an annual guaranteed Cost of Living Adjustment (COLA) for eligible Retirees over the age of 55, payable to each Retiree who has been retired for five years at the time of the COLA payment (October 1). The amount is determined by the Retirees' age on October 1. The COLA amount is one percent (1%) for Retirees between the ages of 55 and 64. For Retirees age 65 and older, the COLA amount is two percent (2%). In addition, eligible Retirees may receive an additional variable COLA equal to up to one percent (1%) if Plan earnings are sufficient (as certified by the Plan's actuary).

Note 1 - Description of the Plan (continued)

Funding Requirements

Member Contributions:
Tier One members are required to contribute 10% of their earnings to the Plan. Tier Two members are required to contribute 7% 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.

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

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 income is recorded as earned and dividend income is recorded as of the ex-dividend date.

Cash Equivalents

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

Note 2 - Summary of Significant Accounting Policies (continued)

Investments

Plan investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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, 2012 and 2011. 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"). 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.

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. Interest income is recorded as earned and dividend income is recorded as of the ex-dividend date. 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 life of the related lease 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 18, 2012, the date which the financial statements were available for issue.

Note 3 – Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2011, 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
10/1/2011	$ 125,170	$ 179,688	$ 54,518	69.7%	$ 26,238	207.8%

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	October 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	5 Year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases*	4.25% - 7.5% varying by service
*Includes inflation at	3.50%
Cost of living adjustments	2.00%

Note 4 – Contributions

Actual Contributions

The actual employer contributions for active employees for the years ended September 30, 2012 and 2011 amounted to $5,801,971 and $5,351,521, respectively, and the actual amount of covered payroll was approximately $26,100,000 and $26,400,000, respectively. The actual member contributions for the years ended September 30, 2012 and 2011 amounted to $2,572,184 and $2,680,517, respectively, and included buyback amounts of $0 and $43,586, respectively.

2012

	Amount	Percent of Actual Covered Annual Payroll
Employer contributions consisted of:		
City	**$ 5,419,858**	**20.77%**
Broward County – Sheriff	**360,687**	**1.38**
Broward County – Library	**21,426**	**0.08**
Total employer contributions	**$ 5,801,971**	**22.23%**

	Amount	Percent of Actual Covered Annual Payroll
Member contributions consisted of:		
Plan members (net of buybacks)	**$ 2,572,184**	**9.86%**
Total member contributions	**$ 2,572,184**	**9.86%**

2011

	Amount	Percent of Actual Covered Annual Payroll
Employer contributions consisted of:		
City	$ 4,926,040	18.66%
Broward County – Sheriff	396,377	1.50
Broward County – Library	29,104	0.11
Total employer contributions	$ 5,351,521	20.27%

	Amount	Percent of Actual Covered Annual Payroll
Member contributions consisted of:		
Plan members (net of buybacks)	$ 2,636,931	9.99%
Total member contributions	$ 2,636,931	9.99%

Note 4 – Contributions (continued)

Actuarially Determined Contributions

The contributions required from the City and other contributing entities for the fiscal years ended September 30, 2012 and 2011, were actuarially determined using valuation dates of October 1, 2010 and 2009, respectively. The actuarially computed annual covered payroll used in the October 1, 2010, valuation was approximately $26,600,000 and the actuarially computed annual covered payroll used in the October 1, 2009 valuation was approximately $27,500,000.

The amounts cover the following:

2012

	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	**$ 2,749,287**	**10.03%**
Amortization of the unfunded frozen Actuarial accrued liability	**3,031,258**	**11.40**
Total	**$ 5,780,545**	**21.73%**

2011

	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	$ 2,599,799	9.45%
Amortization of the unfunded frozen Actuarial accrued liability	2,749,597	10.00
Total	$ 5,349,396	19.45%

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.

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 Barclays U.S. 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% at cost 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:

Authorized investments	Target % of portfolio
Domestic equities	30%
Equities (small/mid cap)	10%
International equities	15%
Fixed income	25%
Direct real estate	10%
Absolute return	10%

* Absolute return strategies may include but not be limited to infrastructure, maritime, tactical asset allocation, TIPs, or market neutral.

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.

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:

2012
Investment Maturities
(in years)

Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	**$ 1,149,900**	**$ -**	**$ -**	**$ -**	**$ 1,149,900**
U.S. agencies	**7,070,372**	**-**	**409,347**	**219,539**	**6,441,486**
Corporate bonds and notes	**14,351,030**	**2,588,624**	**3,198,754**	**4,107,472**	**4,456,180**
	$ 22,571,302	**$ 2,588,624**	**$ 3,608,101**	**$ 4,327,011**	**$12,047,566**

2011
Investment Maturities
(in years)

Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	$ 859,603	$ -	$ -	$ -	$ 859,603
U.S. agencies	6,559,865	-	408,743	336,306	5,814,816
Corporate bonds and notes	13,949,436	562,881	4,321,380	4,010,038	5,055,137
	$ 21,368,904	$ 562,881	$ 4,730,123	$ 4,346,344	$11,729,556

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.

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, 2012 and 2011, as applicable:

	2012		2011	
	Fair Value	**Percentage of Portfolio**	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	**8,220,272**	**36.42%**	$ 7,419,468	34.72%
Quality rating of credit risk debt securities				
AAA	**1,788,951**	**7.93**	2,587,375	12.11
AA+	**903,261**	**4.00**	642,149	3.01
AA	**-**	**-**	141,263	0.66
AA-	**172,193**	**0.76**	526,067	2.46
A+	**1,630,450**	**7.22**	1,510,392	7.07
A	**3,794,167**	**16.81**	4,468,375	20.91
A-	**3,563,352**	**15.79**	1,913,886	8.96
BBB+	**1,335,946**	**5.92**	1,487,259	6.96
BBB	**1,110,548**	**4.92**	623,280	2.92
BBB-	**52,162**	**0.23**	49,390	0.22
Total credit risk debt Securities	**14,351,030**	**63.58**	13,949,436	65.28
Total fixed income securities	**22,571,302**	**100.00%**	$ 21,368,904	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, 2012 and 2011.

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.

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 – 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. Total pension expense amounted to $18,583 and $17,918 for the years ended September 30, 2012 and 2011, respectively, and is included in administrative expenses in the statement of changes in net assets.

Note 7 – Property and Equipment

Property and equipment consist of the following at September 30, 2012 and 2011:

	Estimated Useful Life	2012	2011
Leasehold improvements	6	**$ 32,962**	$ 32,962
Less: accumulated depreciation		**(32,962)**	(27,469)
Net		**$ -**	$ 5,493

Depreciation expense for the years ended September 30, 2012 and 2011 was $5,493 and $5,494, respectively.

Note 8 – Commitments

Operating Leases

The Plan renewed the operating lease for its office space on October 1, 2012. The new lease term is for 84 months expiring in September, 2019. The office space lease requires the payment of maintenance, insurance and property taxes.

The Plan also entered into a new operating lease for office equipment in October 2011. The lease term is for 48 months expiring in October 2015.

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

For the year ending September 30,	Amount
2013	$ 20,178
2014	20,753
2015	21,345
2016	21,012
2017	21,554
Thereafter	45,057
	$ 149,899

During the years ended September 30, 2012 and 2011, rent expense under the lease agreement amounted to $44,622 and $44,491, respectively.

Note 8 – Commitments (Continued)

Future financial commitment

The future financial commitments outstanding for private equity investments at September 30, 2012 and 2011 were $4,468,000 and $4,648,000, respectively.

Required Supplementary Information

Schedule "1"
Schedule of Funding Progress
(dollar amounts 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
10/01/06	$ 107,334	$ 131,560	$ 24,226	81.6%	$ 24,963	97.0%
10/01/07	118,773	143,587	24,814	82.7	26,692	93.0
10/01/08	124,869	152,425	27,556	81.9	27,478	100.3
10/01/09	118,955	161,585	42,630	73.6	27,477	155.1
10/01/10	126,103	169,995	43,892	74.2	26,597	165.0
10/01/11	125,170	179,688	54,518	69.7	26,238	207.8

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

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2007	$ 3,732,673	100%
2008	3,415,550	100
2009	3,704,693	100
2010	4,337,004	100
2011	5,349,396	100
2012	5,860,914	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, 2012 and 2011

		2012		2011
Schedule "1"				
Schedule of Investment Expenses				
Financial management expenses				
JPMorgan Investment Management, Inc.	**$**	**248,222**	$	318,064
DePrince, Race and Zollo, Inc.		**82,347**		81,522
Richmond Capital		**68,511**		63,718
Buckhead Capital		**39,219**		69,698
Atlanta Capital		**24,993**		-
Munder Capital		**55,982**		53,334
Stralem & Company		**99,215**		93,813
RhumbLine Advisers		**11,157**		10,360
Total financial management expenses		**629,646**		690,509
Investment consultant fees				
Southeastern Advisory Services, Inc.		**70,133**		67,994
Investment custodial fees				
Salem Trust Company		**51,143**		56,281
Total investment expenses	**$**	**750,922**	$	814,784
Schedule "2"				
Schedule of Administrative Expenses				
Personnel services				
Salaries and payroll taxes	**$**	**203,239**	$	199,326
Employee benefits		**43,485**		39,714
Total personnel services		**246,724**		239,040
Professional services				
Legal		**51,795**		34,104
Actuarial		**19,033**		26,198
Audit		**21,731**		18,070
Medical fees		**(16)**		6,793
Total professional services		**92,543**		85,165
Other				
Trustee expense		**42,943**		51,787
Rent		**44,622**		44,491
Insurance		**24,001**		21,034
Staff expense		**9,373**		7,858
Printing and office expense		**6,726**		11,425
Computer expense		**8,000**		8,392
Depreciation		**5,493**		5,494
Postage		**1,491**		1,500
Telephone		**5,836**		5,172
Dues & subscriptions		**2,390**		2,485
Total other		**150,875**		159,638
Total administrative expenses	**$**	**490,142**	$	483,843

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*

Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2012, and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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, 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 (findings of fraud or abuse) that are required to be reported under *Government Auditing Standards*.

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

This report is intended for the information and use 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 18, 2012

Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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