



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

**Financial Statements
Years Ended September 30, 2009 and 2008**



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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

We have audited the accompanying statements of plan net assets of The City of Pompano Beach General Employees' Retirement System (the Plan) as of September 30, 2009 and 2008, 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, 2009 and 2008 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.

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, 2004 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.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009 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, P.A.

Hollywood, Florida
December 15, 2009

City of Pompano Beach
General Employees' Retirement System

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Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2009 and 2008

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, 2009 and 2008. 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, 2009 and 2008 by \$96,993,640 and by \$104,728,386, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The decrease of (\$7,734,746) and the decrease of (\$20,179,504) 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 81.6% as of the October 1, 2006 actuarial valuation to 82.7% as of the October 1, 2007 valuation and 81.9% as of the October 1, 2008 valuation.
- 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, 2008 employer contributions (City and Broward County) to the Plan, decreased \$647,752 or 15.9% based primarily on the actuarial valuation. Actual employer contributions were \$3,416,488 and \$4,064,240 for 2008 and 2007, respectively.

- For the fiscal year ending September 30, 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.

For the fiscal year ending September 30, 2008 member contributions including buybacks increased by \$908,030 or a 41.6% increase. Actual member contributions, including buybacks were \$3,089,928 and \$2,181,898 for 2008 and 2007, respectively. Member contributions 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, 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%.

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited) – continued
September 30, 2009 and 2008

Financial Highlights – (continued)

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

- 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, 2008, benefit payments increased by \$556,795 or 10.2%. Refunds of contributions decreased by \$179,412 or 48.0%.

- 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.

For the fiscal year ending September 30, 2008, administrative expenses increased by \$49,197 from 2007 or 10.2% due primarily to increase in payments for actuarial expense.

Plan Highlights

The total return of the portfolio was - 5.5% 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.

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

The 2009 returns were primarily impacted by two portfolios: commercial real estate and large cap growth equity. All other investment categories performed at or near expectations.

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, 2009 and 2008

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:

	2009	2008	2007
Cash and cash equivalents	\$ 2,375,904	\$ 3,066,173	\$ 4,935,913
Receivables	1,154,610	2,157,083	739,080
Investments	96,796,887	103,764,189	121,595,759
Other assets	19,458	24,951	30,446
Total assets	100,346,859	109,012,396	127,301,198
Liabilities	3,353,219	4,284,010	2,393,308
Net assets	\$ 96,993,640	\$ 104,728,386	\$ 124,907,890

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:

	2009	2008	2007
Additions:			
Contributions			
Members	\$ 2,877,761	\$ 3,089,928	\$ 2,181,898
City	3,390,231	3,085,890	3,587,520
Broward County –			
Sheriff's Department	291,872	291,920	417,681
Broward County –			
Library	24,767	38,678	59,039
Total	6,584,631	6,506,416	6,246,138
Net investment (loss) income	(6,961,416)	(19,952,286)	16,469,030
Total (reductions) additions	(376,785)	(13,445,870)	22,715,168
Deductions:			
Benefits paid	6,541,501	6,014,018	5,457,223
Refund of contributions	299,188	187,717	367,129
Administrative expenses	517,272	531,899	482,702
Total deductions	7,357,961	6,733,634	6,307,054
Net (decrease) increase	(7,734,746)	(20,179,504)	16,408,114
Net assets held in trust for pension			
benefits at beginning of year	104,728,386	124,907,890	108,499,776
Net assets held in trust for pension			
benefits at end of year	\$ 96,993,640	\$ 104,728,386	\$ 124,907,890

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited) – continued
September 30, 2009 and 2008

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 year ended 2008 but were still below those of fiscal year ended 2007.

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, 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.

At September 30, 2008, the domestic equity portion comprised 53.5% (\$57,151,178) of the total portfolio. The allocation to fixed income securities was 19.9% (\$21,278,051), while cash and cash equivalents comprised 2.9% (\$3,066,173). The portion of investments allocated to international equity and real estate was \$12,493,382 and \$12,841,578 or 11.7% and 12.0%, respectively of the total portfolio.

The target asset allocation as of September 30, 2009 and 2008 was as follows:

	2009	2008
Equity (domestic)	30%	30%
Equity (small/mid cap)	10%	10%
Fixed income	20%	20%
Equity (international)	15%	15%
Direct real estate	10%	10%
Absolute return	15%	15%

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, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	\$ 2,375,904	\$ 3,066,173
Receivables:		
Accrued interest and dividends	218,130	274,516
Receivable for securities sold	936,480	1,882,567
Total receivables	1,154,610	2,157,083
Investments, at fair value:		
Common stocks	32,743,812	41,502,302
U.S. government securities	6,771,259	8,471,534
Corporate bonds and notes	12,469,652	12,806,517
Domestic equity funds	10,599,408	15,648,876
International equity funds	13,608,217	12,493,382
Private equity	12,387,892	-
Real estate funds	8,216,647	12,841,578
Total investments	96,796,887	103,764,189
Other assets:		
Deposits	2,978	2,978
Property and equipment, net	16,480	21,973
Total other assets	19,458	24,951
Total assets	100,346,859	109,012,396
Liabilities		
Accrued expenses	131,583	159,702
Deferred retirement option plan payable	2,135,182	1,458,826
Payable for securities purchased	1,086,454	2,665,482
Total liabilities	3,353,219	4,284,010
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 20)	\$ 96,993,640	\$ 104,728,386

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, 2009 and 2008

	2009	2008
Additions:		
Contributions		
Members	\$ 2,877,761	\$ 3,089,928
City	3,390,231	3,085,890
Broward County - sheriff's department	291,872	291,920
Broward County - library	24,767	38,678
Total contributions	6,584,631	6,506,416
Investment income:		
Net depreciation in fair value of investments	(8,126,947)	(23,261,154)
Interest	1,040,391	1,359,787
Dividends	954,808	2,700,902
Commission recapture	2,042	3,958
Other	41,280	118,084
Total investment loss	(6,088,426)	(19,078,423)
Less: Investment expenses	727,698	709,424
Deferred retirement option plan participants' earnings	145,292	164,439
Net investment loss	(6,961,416)	(19,952,286)
Total reductions	(376,785)	(13,445,870)
Deductions:		
Benefits paid	6,541,501	6,014,018
Refund of contributions	299,188	187,717
Administrative expenses	517,272	531,899
Total deductions	7,357,961	6,733,634
Net decrease	(7,734,746)	(20,179,504)
Net assets held in trust for pension benefits:		
Beginning of year	104,728,386	124,907,890
End of year	\$ 96,993,640	\$ 104,728,386

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, 2009 and 2008

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, 2009 and 2008, membership in the Plan consisted of:

	2009	2008
Retirees and beneficiaries currently receiving benefits, including DROP and terminated employees entitled to benefits but not yet receiving them.	326	325
Current employees:		
Vested	237	228
Nonvested	272	290
	509	518

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, 2009 and 2008

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, 2009 and 2008

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.

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.

New Pronouncements

During the year ended September 30, 2008, the Plan adopted Government Accounting Standards Board (GASB) Statement No. 50 "Pension Disclosures" (GASB 50) which amends GASB Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and No. 27, "Accounting for Pensions by State and Local Governmental Employers". GASB 50 requires disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan and other actuarial information which had previously been provided as required supplementary information. The adoption of GASB 50 had an impact on the presentation of the notes to the financial statements but no impact on net assets.

Cash Equivalents

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

Investments

The fair value of quoted equity investments is based on the aggregate fair market value as of September 30, 2009 and 2008. The fair value of quoted investments is based on the closing sales price or bid price as reported by recognized security exchanges. Bonds are reported at established fair value.

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, 2009 and 2008

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 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 15, 2009, 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, 2009 and 2008

Note 3 – Funded Status and Funding Progress

The funded status of the Plan as of September 30, 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
10/01/08	\$ 124,869	\$ 152,425	\$ 27,556	81.9%	\$ 27,478	100.28%

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	9/30/08
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
*Included inflation at	3.5%
Cost of living adjustments	2.0%

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2009 and 2008

Note 4 – Contributions

Actual Contributions

The actual employer contributions for active employees for the years ended September 30, 2009 and 2008 amounted to \$3,706,870 and \$3,416,488, respectively, and the actual amount of covered payroll was approximately \$27,800,000 and \$27,400,000, respectively. The actual member contributions for the years ended September 30, 2009 and 2008 amounted to \$2,877,761 and \$3,089,928, respectively, and included buyback amounts of \$89,041 and \$376,827, respectively.

	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%

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

	Amount	Percent of Actual Covered Annual Payroll
Member contributions consisted of:		
Plan members (net of buybacks)	\$ 2,713,101	9.90%
Total member contributions	\$ 2,713,101	9.90%

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2009 and 2008

Note 4 – Contributions (continued)

Actuarially Determined Contributions

The contributions required from the City and other contributing entities for the fiscal years ended September 30, 2009 and 2008, were actuarially determined using valuation dates of October 1, 2007 and 2006, respectively. The actuarially computed annual covered payroll used in the October 1, 2007, valuation was \$27,626,347 and the actuarially computed annual covered payroll used in the October 1, 2006 valuation was \$25,836,234.

The amounts cover the following:

2009		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	\$ 2,079,023	7.53%
Amortization of the unfunded frozen Actuarial accrued liability	1,625,670	5.88%
Total	\$ 3,704,693	13.41%

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

Note 5 – Deposit and Investment Risk Disclosures

Investment Authorization

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

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

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2009 and 2008

Note 5 – Deposit and Investment Risk Disclosures (continued)

Investment Authorization (continued)

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

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

Types of Investments

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments.

The current target allocation of these investments at market is as follows:

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

Interest Rate Risk

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

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2009 and 2008

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:

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>

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

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, 2009 and 2008

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, 2009 and 2008, as applicable:

	2009		2008	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 6,771,259	35.19%	\$ 8,471,534	39.81%
Quality rating of credit risk debt securities				
AAA	2,235,989	11.62	1,826,734	8.59
AA+	513,290	2.67	-	-
AA	133,750	0.70	626,450	2.94
AA-	294,788	1.53	918,582	4.32
A+	1,020,372	5.30	1,928,551	9.06
A	3,978,503	20.68	3,279,006	15.41
A-	2,212,483	11.50	1,863,712	8.76
BAA	93,466	0.49	-	-
BBB+	868,037	4.51	906,785	4.26
BBB	515,841	2.68	735,329	3.46
BBB-	186,289	0.96	319,760	1.50
Not rated	416,844	2.17	401,608	1.89
Total credit risk debt Securities	12,469,652	64.81	12,806,517	60.19
Total fixed income securities	\$ 19,240,911	100.00%	\$ 21,278,051	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, 2009 and 2008.

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2009 and 2008

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 existing employees. Employees hired on or after June 1, 2009 will receive a match of their voluntary contributions of up to 5% of eligible compensation. The total pension expense for the years ended September 30, 2009 and 2008 was \$15,351 and \$16,201, respectively.

Note 7 – Property and Equipment

Property and equipment consist of the following at September 30, 2009 and 2008:

	Estimated Useful Life	2009	2008
Leasehold improvements	6	\$ 32,962	\$ 32,962
Total cost		32,962	32,962
Less: accumulated depreciation		(16,482)	(10,989)
Net		\$ 16,480	\$ 21,973

Depreciation expense for the years ended September 30, 2009 and 2008 was \$5,493 and \$5,493, respectively.

The City of Pompano Beach
General Employees' Retirement System
Notes to Financial Statements
September 30, 2009 and 2008

Note 8 – Commitments

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:

<u>For the year ending September 30,</u>	<u>Amount</u>
2010	\$ 28,449
2011	29,213
2012	25,055
<u>Total</u>	<u>\$ 82,717</u>

Required Supplementary Information

The City of Pompano Beach
General Employees' Retirement System
 Required Supplementary Information - Unaudited
 September 30, 2009

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
10/01/03	\$ 94,742	\$ 100,282	\$ 5,540	94.5%	\$ 22,655	24.45%
10/01/04	96,736	111,252	14,516	87.0	21,875	66.36
10/01/05	98,980	120,076	21,096	82.4	22,405	94.16
10/01/06	107,334	131,560	24,226	81.6	24,963	97.05
10/01/07	118,773	143,587	24,814	82.7	26,692	92.96
10/01/08	124,869	152,425	27,556	81.9	27,478	100.28

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

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2004	\$ 1,848,375	100%
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

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, 2009, and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Plan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with general accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Plan's financial statements that is more than inconsequential will not be prevented or detected by the Plan's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.



The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Goldstein Schechter Koch, P.A.

Hollywood, Florida
December 15, 2009



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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