POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

A PENSION TRUST FUND OF THE CITY OF POMPANO BEACH, FLORIDA

FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2011

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Pompano Beach Police and Firefighters' Retirement System
Pompano Beach, Florida

We have audited the accompanying statement of plan net assets of the Pompano Beach Police and Firefighters' Retirement System (the System) as of September 30, 2011, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information, including the Schedule of Administrative and Investment Expenses, has been derived from the 2010 financial statements, which our report dated January 12, 2011 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets as of September 30, 2011 and the changes in the plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2012 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and 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 conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and contributions from employer and other contributing entity on pages 3 through 8 and pages 23 to 24, respectively, 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 principally 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Administrative and Investment Expenses is not a required part of the basic financial statements, and is presented solely for analysis purposes. The Schedule is presented for purpose of additional analysis and is not a required part of the financial statements. The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Schedule of Administrative and Investment Expenses is fairly stated in all material respects in relation to the financial statements as a whole. The Schedules of Financial Information for Pompano Beach Investors LLC are not a required part of the financial statements, and are presented solely for analysis purposes. The Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Marcum LLP

Fort Lauderdale, FL
January 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial activities of the Pompano Beach Police and Firefighters' Retirement System (the System) provides an overview of the financial statements by focusing on the System's financial performance during the fiscal years ended September 30, 2011 and 2010 and identifying significant changes in the financial position. Please read it in conjunction with the basic financial statements and notes to the financial statements which follow this discussion.

The System is responsible for administering a defined benefit public employee retirement system. It provides services to approximately 45 active police officers, 146 active firefighters and 357 benefit recipients.

Overview of Financial Statements

Basic Financial Statements

The System presents select comparative financial statements as of and for the years ended September 30, 2011 and 2010. The financial statements are prepared using the accrual basis of accounting in accordance with the Governmental Accounting Standards Board (GASB) pronouncements. The two basic financial statements are the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets.

The Statement of Plan Net Assets shows a comparative snapshot of account balances at fiscal year-end. It reports the assets available to pay future benefits and any current liabilities as of the statement date. Net assets are the difference between the total assets and total liabilities and represent the value of assets held in trust to pay pension benefits.

By contrast, the Statement of Changes in Plan Net Assets shows, on a comparative basis, additions (revenue) and deductions (expenses) to the net assets for the fiscal year. The net increase or decrease illustrates the change in net assets from the prior fiscal year to the current fiscal year.

The Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the financial statements and provide additional information and schedules that are essential for a full understanding of the System provided in the financial statements. Among other things, information in the notes discloses the method used to value investments, a general description of the plan, recent plan amendments, contribution information and investment information.

Required Supplementary Information

Because of the long-term nature of a defined benefit plan, the System provides two required schedules of historical trends based on the actuarial valuations performed by the System's actuary.

The Schedule of Funding Progress contains actuarial information for the past six fiscal years. It shows the ratio of the actuarial value of assets as a percentage of the actuarial accrued liability and the ratio of the unfunded actuarial accrued liability to member payroll. Progress is indicated when the funding ratio is increasing and the ratio of the unfunded actuarial liability to payroll is decreasing.

The Schedule of Contributions From Employer and Other Contributing Entity presents historical trend information for the past six fiscal years and shows the annual employer and other contributing entity contributions required to be made and the percentage actually contributed in meeting this requirement.

These two schedules and the notes to the required supplementary information provide information that contributes to an understanding of the changes in funded status over time in order to determine whether the System is becoming financially stronger or weaker.

Other Supplementary Information

Other schedules provided are a Schedule of Administrative and Investment Expenses incurred by the System. Also, provided as other information are Schedules of Financial Information relating to the System's investment in Pompano Beach Investors, LLC.

Financial Highlights

Fiscal Year 2011:

- Net assets decreased by $1.2 million from $181.2 million at September 30, 2010 to $180.0 million at September 30, 2011, or 0.6%, due to benefits and expenses that exceeded the investment gain.
- The gain on investments was 1.7%, net of fees, on a market value basis. The market value return did not achieve its targeted rate of return of 8.1%.
- At October 1, 2010, the date of the most recent actuarial valuation, the System had a funded ratio of 69.8%, a decrease of 2.1% from the previous year's level of 71.9%.
- The System received $1.6 million in member contributions, $8.0 million in employer contributions and $1.9 million in revenue from the State of Florida during 2011. Employer contributions for 2011 were based on the October 1, 2009 actuarial valuation.

Fiscal Year 2010:

- Net assets increased by $14.2 million from $167.0 million at September 30, 2009 to $181.2 million at September 30, 2010, or 8.5%, due to positive investment returns.
- The gain on investments was 9.3%, net of fees, on a market value basis. The market value return exceeded its targeted rate of return of 8.3%.
- At October 1, 2009, the date of the most recent actuarial valuation, the System had a funded ratio of 71.9%, down from the previous year's level of 76.0%. The funded ratio was 73.3% before changes in actuarial assumptions and methods. The decrease was attributed to actuarial losses on the investments.

- The System received $1.8 million in member contributions, $6.8 million in employer contributions and $1.9 million in revenue from the State of Florida during 2010. Employer contributions for 2010 were based on the October 1, 2008 actuarial valuation.

Financial Analysis

Net Assets

The System's funding objective is to accumulate sufficient assets over time to meet long-term benefit obligations. To accumulate the funds needed to pay pension benefits, the System relies on contributions to the plan and investment earnings.

NET ASSETS
AS OF SEPTEMBER 30, 2011 AND 2010

			Increase (Decrease) 2011 to 2010	
	2011	2010	Amount	Percent
Assets other than investments	$ 6,578,172	$ 2,239,478	$ 4,338,694	193.7%
Investments, at fair value	176,373,326	181,008,824	(4,635,498)	-2.6%
Total Assets	182,951,498	183,248,302	(296,804)	-0.2%
Liabilities	2,919,713	2,089,232	830,481	39.8%
Net Assets	$ 180,031,785	$ 181,159,070	$ (1,127,285)	-0.6%

Net assets held in trust for pension benefits totaled $180.0 million at September 30, 2011 compared to $181.2 million at September 30, 2010, a decrease of $1.2 million. Current and other assets, reflecting cash, amounts owed for pending trades due from brokers and receivables at September 30, 2011 were $5.4 million. Investments totaled $176.4 million, which is a decrease of $4.6 million or 2.6% from fiscal year 2010. The decrease is primarily attributable to the liquidation of a $4.1 million REIT fund on the last day of the fiscal year and a 9.51% investment loss in the last fiscal quarter. The largest portion of the System's net assets is invested in equities. At September 30, 2011, the System held $109.7 million in equities, $42.1 million in fixed income securities, $7.5 million in mutual funds, $3.5 million in Pompano Beach Investors, LLC, a real estate investment, and $13.6 million in money market funds. Total liabilities as of September 30, 2011 were $2.9 million, which included the amount owed to brokers for pending trades of over $2.6 million and accounts payable and accrued expenses of $254,594. For fiscal year 2011, liabilities increased by $0.8 million from 2010 primarily due to an increase in the amount owed to brokers for pending trades.

Revenues – Additions to Plan Net Assets

Additions to the Plan Net Assets are used to finance current and future retirement benefits. The primary sources of revenue include contributions from active members, employers, premium tax revenue from the State of Florida and investment income.

ADDITIONS TO NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

			Increase (Decrease) 2011 to 2010	
	2011	2010	Amount	Percent
Employer contributions	$ 7,976,403	$ 6,828,542	$ 1,147,861	16.8%
Member contributions	1,613,075	1,827,041	(213,966)	-11.7%
State of Florida contributions	1,934,985	1,884,144	50,841	2.7%
Net investment income	2,965,009	17,153,624	(14,188,615)	-82.7%
Total Additions	$ 14,489,472	$ 27,693,351	$ (13,203,879)	-47.7%

Contributions and net investment income totaled $14.5 million in 2011. Total employer contributions increased $1.1 million, up 16.8% from the previous year. Employer contributions for 2011 were based on the rates from the October 1, 2009 actuarial valuation. The increase is primarily due to investment loss in 2009 and the first of a five-step reduction in the assumed investment rate of return. Member contributions decreased $213,966 in 2011 compared to the previous year primarily due to increases in police officers' retirements and firefighters' DROP participation. The State of Florida premium tax revenue increased $50,841 in 2011 compared to 2010.

The System incurred a positive return on the market value of its investments in 2011. Net investment income of $3.0 million was recognized in 2011, compared with net investment income of $17.2 million in 2010. The net appreciation in the fair value of investments was $208,883 for 2011 compared to $14.4 million in 2010. Interest, dividends and other investment income generated income of $3.9 million for 2011, which was a 6.9% increase from the previous year.

Investment management fees are asset based and normally increase as the total assets increase. However, investment expenses of $1.2 million increased by $229,700 this year even though invested assets decreased. This is primarily due to three quarters of investment gains, the first-time recognition of investment expenses for one "fund of hedge funds" manager and the fact that the reduction in assets was primarily due to liquidation of an investment on the last day of the fiscal year. Investment expenses are deducted from total investment income to determine the net investment income.

Expenses – Deductions from Plan Net Assets

The primary expenses for the System include benefit payments to retirees and beneficiaries plus cost-of-living adjustments and Deferred Retirement Option Plan (DROP) distributions. They also include refunds of contributions paid to members who terminated employment during the year and administrative expenses.

DEDUCTIONS FROM NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010	Increase (Decrease) 2011 to 2010 Amount	Percent
Benefit payments	$ 15,048,904	$ 12,775,813	$ 2,273,091	17.8%
Refund of contributions	--	51,097	(51,097)	100.0%
Administrative expenses	567,853	711,464	(143,611)	-20.2%
Total Deductions	$ 15,616,757	$ 13,538,374	$ 2,078,383	15.4%

The largest expense was for benefits paid to retirees and beneficiaries. Benefit payments totaled approximately $15.0 million for fiscal year 2011, an increase of $2.3 million or 17.8% from 2010, attributable to the increase in the number of retirees, the annual 2% cost-of-living adjustment and nine lump sum DROP distributions totaling $2.1 million. There were no refunds of contributions to terminating members in 2011; there was one the previous year in the amount of $51,097. For the years ended September 30, 2011 and 2010, administrative expenses (not including investment management fees) were 0.3% and 0.4%, respectively, of the System's net assets.

Further analysis of benefit payments follows:

BENEFIT PAYMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010	Increase (Decrease) 2011 to 2010 Amount	Percent
Normal retirement payments	$ 10,976,503	$ 10,231,115	$ 745,388	7.3%
Disability pension payments	1,164,954	1,128,863	36,091	3.2%
Beneficiary payments	622,788	568,239	54,549	9.6%
DROP account withdrawals	2,284,659	847,596	1,437,063	169.5%
Total Benefit Payments	$ 15,048,904	$ 12,775,813	$ 2,273,091	17.8%

Funding

An actuarial valuation of the System's assets and benefit obligations is performed annually. The latest actuarial valuation dated October 1, 2010 showed the System had a ratio of actuarially determined pension assets-to-liabilities or funded ratio of 69.8%, down 2.1% from 71.9% on October 1, 2009. At October 1, 2010 the System's actuarial accrued liability exceeded the actuarial value of assets by $73.3 million. From 1997 through 2001, the System was more than 100% funded. The subsequent reduction in the funded ratio is the result of investment losses during the 2001 through 2005, 2008 and 2009 fiscal years, benefit improvements and the five-step incremental reduction in the assumed investment rate of return starting October 1, 2009. The investment losses and lowering of the investment assumption rate have added substantially to the required employer contribution. The additional employer contributions and expected reductions in experience losses will eventually cause the funded ratio to increase.

Investment Activity

The System's net assets have consistently increased over the last 34 years, with the exception of a few years during which there were downturns in the financial markets. For that 34-year period, the average compounded rate of return on an actuarial asset basis was 7.7% and 8.4% on a market value basis.

Investment losses during fiscal years 2001 and 2002 were the first substantial losses suffered by the System since its 1972 inception. However, in 2008 the System experienced another substantial loss due to a major downturn in the global financial markets. Thus, it is anticipated that employer contribution rates will increase in order to sustain funding levels as a result of the combination of the above events. Commencing with the October 1, 2008 actuarial valuation, the System adopted a new policy of smoothing investment gains and losses over a five-year period to stabilize employer contribution rates from year to year. At that time, it was also decided that the investment return assumption would be lowered incrementally over a five-year period from 8.5% to 7.5%, which will lead to increased employer contributions but will ultimately minimize the fluctuations in the actuarial gains and losses.

The Board of Trustees oversees the System's investments, performance and investment managers. Long-term asset growth is essential to the System's current and continued financial stability. Therefore, the Board of Trustees has the fiduciary responsibility to act with prudence when making investment decisions. The foundation of all investment decisions is a realistic investment policy statement. The System's investment policy is continually monitored and revised to match the goals and risk tolerance of the System and provide enhanced criteria for measuring the performance of the investment managers. The current investment policy utilizes traditional asset classes such as Mid Capitalization Value, Small/Mid Capitalization Growth, International Value, and International Growth as well as alternative asset classes including Public & Private Real Estate, Funds of Hedge Funds and Private Equity in an effort to enhance the expected return of the System’s portfolio while reducing risk. Periodic rebalancing of the total portfolio to the targets is done to insure diversification among the various asset classes, which is the key to reaching long-term goals. In addition, the Board constantly monitors the performance of all the managers and replaces those that have long-term underperformance (or other appropriate reasons as determined by the Board of Trustees) with managers believed to provide a better opportunity for the System to meet its investment objectives.

Requests for Information

This financial report is designed to provide plan participants, employers and other interested parties a general overview of the System's finances and to show the System's accountability for the funding it receives. Questions concerning information in this report or requests for additional financial information should be addressed to the Pompano Beach Police and Firefighters' Retirement System, 2335 East Atlantic Boulevard, Suite 400, Pompano Beach, Florida 33062.

BASIC FINANCIAL STATEMENTS

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

STATEMENT OF PLAN NET ASSETS

SEPTEMBER 30, 2011

(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2010)

	2011	2010
Assets		
Cash	$ 754	$ 35,492
Due from brokers	4,801,550	1,546,932
Receivables		
Accrued interest and dividends	434,372	426,327
Other receivables	157,171	163,234
Total Receivables	591,543	589,561
Investments, at Fair Value		
U. S. Government agency obligations	11,980,501	8,839,199
Mortgage backed securities	13,122,754	14,801,800
Municipal Obligations	641,084	714,781
Corporate Obligations	16,386,335	15,800,768
Equity securities	109,675,180	114,399,914
Mutual funds and collective trusts	7,513,063	10,967,533
Pompano Beach Investors LLC (real estate)	3,475,477	3,541,774
Money market funds	13,578,932	11,943,055
Total Investments	176,373,326	181,008,824
Prepayments and other assets	1,118,901	92
Property and equipment, net of accumulated depreciation of $70,888 and $60,160, respectively	65,424	67,401
Total Assets	182,951,498	183,248,302
Liabilities		
Accounts payable and accrued expenses	254,594	259,722
Due to brokers	2,665,119	1,829,510
Total Liabilities	2,919,713	2,089,232
Net Assets Held in Trust for Pension Benefits	$ 180,031,785	$ 181,159,070

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

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010)

	2011	2010
Additions		
Contributions		
City of Pompano Beach	$ 4,560,434	$ 3,907,305
Broward County Sheriff's Office	3,415,969	2,921,238
Members	1,613,075	1,827,041
State of Florida	1,934,985	1,884,144
Total Contributions	11,524,463	10,539,728
Investment Income		
Net appreciation in fair value of investments	208,883	14,422,648
Interest and dividends	3,866,320	3,482,438
Miscellaneous investment income	60,271	189,303
	4,135,474	18,094,389
Less: investment expenses	(1,170,465)	(940,765)
Net investment income	2,965,009	17,153,624
Total Additions	14,489,472	27,693,352
Deductions		
Benefit payments	15,048,904	12,775,813
Refund of participant contributions	--	51,097
Administrative expenses	567,853	711,464
Total Deductions	15,616,757	13,538,374
Net Increase (Decrease)	(1,127,285)	14,154,978
Net Assets Held in Trust for Pension Benefits		
Beginning of year	181,159,070	167,004,092
End of year	$ 180,031,785	$ 181,159,070

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements of the Pompano Beach Police and Firefighters' Retirement System (the System) are prepared using the accrual basis of accounting. Contributions from the Plan's members are recognized as revenue in the period in which the contributions are due. Contributions from the City of Pompano Beach and the Broward County Sheriff's Office, as calculated by the System's actuary, are recognized as revenue when due and when the entities have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value. Short-term investments, which consist of money market funds, are reported at cost, which is fair value. Securities traded on national or international exchanges are valued at the last reported sales price or current exchange rates. Real estate investment is reported at its fair value based on an appraisal of underlying property. The System has investments in funds of hedge funds which hold a variety of different investment vehicles that do not have readily available market quotations. The System's fair value is based on its proportionate share of the value of the funds of hedge funds as determined by the fund managers. That value is based on what the hedge fund can reasonably expect to receive its interest in the various investment vehicles based on input from fund managers, independent valuation consultants and independent auditors. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Interest and dividends are recorded as earned. Purchases and sales of investments are recorded on a trade date basis. Dividends are recorded on the ex-dividend date.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended September 30, 2010, from which the summarized information was derived.

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

PLAN DESCRIPTION

The following brief description of the System is provided for general information purposes only. Participants should refer to City ordinances for more complete information.

The Pompano Beach Police and Firefighters' Retirement System (the System) was established by ordinance of the City of Pompano Beach (the City) to account for the financial activity of the System. The System is administered by a nine member Board of Trustees comprised of three members appointed by the City Commission, three members elected by/from the Firefighter members, and three members elected by/from the Police members. The System is included as a pension trust fund in the City's basic financial statements.

The System is a single employer defined benefit pension plan that covers all of the City's employees that are full-time sworn police officers and firefighters. In August 1999, the City contracted with the Broward County Sheriff's Office (the BSO) whereby the BSO would provide policing services in Pompano Beach. As a result, all of the City's police officers are employed by BSO. Participating police officers were given the option to either remain in the System or switch to BSO's retirement plan and the System was closed to new police officers.

The System provides retirement, death and disability benefits for its members. Benefit provisions are established and may be amended by the City of Pompano Beach, in conjunction with the members' collective bargaining units. A member may retire with normal benefits after reaching age 47 and accumulating 20 or more years of credited service or age 55 and accumulating 10 or more years of credited service. Pursuant to Ordinance 2008–54, a police officer with 25 years of credited service may elect to purchase unreduced

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

normal retirement benefits regardless of age. Normal retirement benefits are stipulated in Section 34.055 of the City's Code of Ordinances and are contingent upon a member's employment classification, separation date, length of service and average monthly earnings. In general, normal retirement benefits are the member's average monthly earnings times the number of years of service multiplied by a factor ranging from 2.0% to 4.0%. Members with 20 or more years of service may receive an early retirement benefit at age 47 or an immediate benefit at a reduced amount. Members who have attained age 50 and have completed 10 years of service are also eligible for an early retirement benefit.

Each October 1, an automatic cost of living adjustment (COLA) of 2% is provided to those retirees who have been retired at least 5 years. An additional increase of up to 1% may be paid to those same retirees under certain circumstances.

A member attaining age 47 with 20 or more years of credited service is eligible for delayed retirement. These benefits begin upon application and are computed in the same manner as the normal retirement benefit.

Disability benefits for service related disabilities are paid to the member for at least 10 years or until recovery. Benefits are calculated as 75% of the member's final earnings in effect at the date the benefit is approved. For firefighters, benefits are calculated at the greater of 75% of final earnings or the vested accrued benefit at the time of disability.

Disability benefits for non-service related disabilities for members with 10 or more years of credited service are paid to a member for at least 10 years or until recovery. Benefits are calculated as 3% of the member's average monthly earnings times the number of credited service years, up to a maximum of 60% of the member's salary, plus 2% of average monthly earnings times the number of credited service years in excess of 25 years.

Pre-retirement death benefits for service related deaths are payable to the member's surviving spouse until death or remarriage (for life if the member was killed in the line of duty). Benefits are calculated as a $5,000 lump sum payment plus 75% of the member's final earnings. In addition, eligible children each receive 7.5% of the member's final earnings. If no eligible surviving spouse exists, eligible children each receive 15% of the member's final earnings.

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Pre-retirement death benefits for non-service related deaths of members with more than 10 years of credited service are payable to a designated beneficiary. The designated beneficiary may elect to receive a return of the member's contribution plus interest or an accrued benefit payable at normal retirement or early retirement. In addition, the designated beneficiary may elect the pre-retirement death benefit for non-service related deaths of members with 5 to 10 years of credited service. Pre-retirement death benefits for non-service related deaths of members with 5 to 10 years of credited service are paid to the member's surviving spouse for life or until remarriage. Benefits are computed as a $5,000 lump sum plus 65% of the member's accrued benefits at the date of death, subject to a minimum of 20% of the member's average monthly salary. In addition, eligible children each receive 7.5% of the member's final earnings. If no eligible surviving spouse exists, eligible children each receive 15% of the member's final earnings. The pre-retirement death benefit for members with 1 to 5 years of credited service is a $5,000 lump sum payment to the member's designated beneficiary.

Post retirement death benefits are payable to the member's beneficiary in accordance with the terms of the payment method selected.

A member with less than 10 years of credited service who terminates employment is refunded his or her contributions, plus interest of 3%. A member with 10 or more years who terminates employment may receive his or her accrued benefit payable at normal retirement date or early retirement date or a refund of contributions plus 3% interest.

Membership consisted of the following at October 1, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	301
Terminated employees entitled to benefits but not yet receiving them, participants who have elected to defer normal retirement benefits, and participants who have elected to participate in the DROP	46
Active plan members	201
	548

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

DROP PLAN

Any member who is eligible to receive a normal retirement pension and prior to attaining 25 years of service may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a police officer or firefighter. The maximum DROP participation period is five years for police officers and eight years for firefighters. A member with 25 years of credited service who is not yet eligible for normal retirement may elect to participate in the DROP upon reaching normal retirement. Upon participation in the DROP, the member becomes a retiree for all Plan purposes so that he or she ceases to accrue any further benefits under the pension Plan. Normal retirement payments that would have been payable to the member are accumulated and invested in the DROP plan to be distributed to the member upon his or her termination of employment.

As of September 30, 2011 and 2010, the balance in the DROP account was $14,134,498 and $13,692,797, respectively. These amounts are included in the total investment balance presented on the statement of plan net assets.

DROP LOAN PROGRAM

On June 22, 2010, the Plan allowed participants (police officers only) to borrow from their DROP account. The loan limit is up to 50% of participant's account balance, subject to a minimum of $5,000 and a maximum of $50,000. The interest rate charged is the “prime rate” in effect on the day of loan application; repayment schedule and maturity date are not to exceed five years. On September 30, 2011, the balance of DROP loans was $107,638.

CONTRIBUTIONS

Police officers are required to contribute 8.6% and firefighters 11.6% of their annual covered salary. Pursuant to Chapters 175 and 185 of the Florida Statutes, a premium tax on certain property and casualty insurance contracts written on Pompano Beach properties is collected by the State and is remitted to the System. The City and BSO are required to contribute the remaining amounts necessary to fund the benefits through periodic contributions at actuarially determined rates. Administrative costs are funded through investment earnings.

In accordance with Florida Statutes, additional premium tax revenues received by the System are reserved to provide future minimum or extra benefits and may not be used to reduce or offset the contribution requirements of the employers. As of the October 1, 2010 actuarial valuation, the cumulative balance of additional premium tax revenues reserved to provide future benefit improvements totals $3,602,091 of which $215,163 pertains to the police members (Chapter 185 funds) and $3,386,928 pertains to the firefighter members (Chapter 175 funds).

NOTE 3 – INVESTMENTS

Investment authorization – The System's investment practices are governed by Chapters 175 (Firefighter Pensions), 185 (Municipal Police Pensions), 280 (Florida Security for Public Deposits Act) and 218 (Local Government Investment Policies), Florida Statutes, City Code of Ordinances and the System's adopted investment policy. In addition to complying with System policy, the System applies the "Prudent Person Rule" when executing investment strategies. Investments are made with judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income derived.

Types of investments – Florida Statutes and Plan policy authorize the Board of Trustees to invest in marketable debt securities issued or guaranteed by either the United States Government or its agencies, domestic corporations (including industrial and utilities), Israel bonds, asset backed and commercial mortgage backed securities, domestic banks and other financial institutions, exchange traded funds, equity securities listed on the New York, American and principal regional and foreign (for foreign securities) exchanges, over the counter securities for which there is an active market maker regulated by National Association of Securities Dealers, American Depository Receipts, and real estate investment trusts (REIT) listed on the New York American principal regional and foreign exchanges, Funds of Hedge Funds, and private real estate through institution vehicles or direct ownership.

The Plan's investment policy establishes asset classes and stipulates the following maximum portfolio percentages:

Authorized Investments	Maximum % of Portfolio
Fixed income securities	30.0%
Equity securities	62.5%
Real estate	10.0%
Funds of hedge funds	10.0%
Private Equity	5.0%

NOTE 3 – INVESTMENTS (CONTINUED)

INTEREST RATE RISK

As of September 30, 2011, the System had the following investments subject to interest rate risk in its portfolio:

		Remaining Maturity			
	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years	Greater Than 10 Years
U.S. Treasuries, notes and bonds	$ 11,320,581	$ 1,985,881	$ 4,420,596	$ 2,765,192	$ 2,148,912
U.S. Federal agencies	659,921	--	287,137	372,784	--
U.S Mortgage backed securities	9,925,718	--	14,987	251,563	9,659,168
Municipal Obligations	641,084	--	57,203	--	583,881
Corporate Obligations	16,386,335	620,968	4,493,492	7,555,123	3,716,752
Collateralized mortgage obligations	3,197,035	--	--	450,635	2,746,400
	$ 42,130,674	$ 620,968	$ 4,493,492	$ 8,005,758	$ 6,463,152

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. As a means of limiting its exposure to fair value losses, the investment guidelines look to control impacts from interest rate risk in both rising and declining interest rate environments considering such factors as credit quality and duration for losses in rising rate environments, and credit quality in declining rate environments. The benchmarks are monitored and changed when warranted by investment market environment. Debt portfolios are structured and managed to produce returns based on risks inherent in the selected benchmarks.

CREDIT RISK

This 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 System's investment policy requires all fixed income investments to hold a credit rating in one of the four highest classifications by a major rating service. Commercial paper, if used, must be of only the highest quality (rating of A-1 or P-1). Investments in fixed income securities with a rating of BBB are limited to 15% of the fixed income portfolio. The fixed income investments credit ratings for the fiscal year ended September 30, 2011 ranged between AAA and CCC and below ratings. All of the fixed income investments for the fiscal year ended September 30, 2011 met the ratings requirements of the investment policy or an approved exception thereto.

NOTE 3 – INVESTMENTS (CONTINUED)

CREDIT RISK (CONTINUED)

Credit Rating by Standard & Poor's	Fair Value	Corporate	Municipal	US Government
U.S. Government guaranteed*	$ 21,246,299	$ --	$ --	$ 21,246,299
Credit risk debt securities:				
AAA	2,460,348	2,460,348	--	--
AA	3,943,756	2,820,939	462,896	659,921
A	6,747,257	6,569,069	178,188	
BBB	5,523,491	5,523,491	--	--
BB	123,581	123,581	--	--
CCC and Below	211,978	211,978	--	--
Not Rated	1,873,964	1,873,964	--	--
Total credit risk debt securities	20,884,375	19,583,370	641,084	659,921
Total Fixed Income Securities	$ 42,130,674	$ 19,583,370	$ 641,084	$ 21,906,220

* Obligations are backed by the full faith and credit of the U.S. Government

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in any one issuer that represent 5% or more of total investments require disclosure, excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds. The System utilizes limitations on securities of a single issuer to manage this risk. The System's investment policy limits investments in the fixed income portion of the portfolio to 10% of a given issuer and limits equity investments in any one company to 10% of the equity portion of each portfolio manager (at market).

As of September 30, 2011, none of the System’s investments were held with any single issuer that represents 5% or more of System’s investments.

NOTE 3 – INVESTMENTS (CONTINUED)

CUSTODIAL CREDIT RISK

This is the risk that in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are held by the counterparty. The System has third party custodial arrangements with financial institutions to accept securities on a delivery vs. payment basis for direct purchase agreements. All securities purchased by the System are designated as an asset of the System in the System's name and are held in safekeeping by the System's custodial bank or a third party custodial institution.

REAL ESTATE INVESTMENT

The System purchased a property located at 2335 East Atlantic Boulevard (purchased in 2007 for approximately $4.4 million) within the City limits. The intent of the purchase was to generate rental income through leasing agreements for office space (see Note 7).

RISKS AND UNCERTAINTIES

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net assets. The System, through its investment advisor, monitors the System’s investment and the risks associated therewith on a regular basis which the System believes minimizes these risks.

System contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

NOTE 4 – TAX STATUS

The Internal Revenue Service has determined and informed the trustees by a letter dated November 3, 1992 that the System is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the System has been amended since receiving the determination letter, the System's administrator and tax counsel believe that the System is currently being operated in compliance with the applicable requirements of the IRC. In January 2011 the System submitted an application to the Internal Revenue Service (IRS) for a new determination letter, which application is still pending.

NOTE 5 – FUNDING STATUS AND FUNDING PROGRESS

The System is funded by the City of Pompano Beach, Broward County Sheriff's Office, members and the State of Florida. Employer contributions for the fiscal year ended September 30, 2011 are based on the normal contribution rate developed in the October 1, 2009 actuarial valuation. The October 1, 2010 actuarial valuation suggested a 34.50% contribution as a percentage of payroll for the firefighters and 62.20% for the police officers. The funded status of the System on October 1, 2010, the most recent actuarial valuation date is as follows:

	(Dollar Amounts in Thousands)					
Actuarial Valuation Date October 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	$ 169,136	$ 242,462	$ 73,326	69.8%	$ 16,804	436.4%

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

NOTE 5 – FUNDING STATUS AND FUNDING PROGRESS (CONTINUED)

Additional information as of the latest actuarial valuation follows:

Actuarial cost method	Entry age
Amortization method	Level percent, level dollar amount, closed
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return, net of investment expenses*	8.10%
Projected salary increases	Service weighted rates from 4.00% to 17.00%
*Includes inflation and other general increases at	3.50%
Cost of living adjustments (starting 5 years from retirement)	2.00%

NOTE 6 – PLAN AMENDMENTS

During the fiscal years ended September 30, 2011 and 2010, the City Code of Ordinances providing for the creation and operation of the System was amended as follows:

Ordinance No. 2011-68
This ordinance reinstated the firefighter multipliers for each year of service as they existed prior to adoption of Ordinance No. 2011-67 and established a supplemental benefit plan (commonly called a “share plan”). This ordinance was adopted July 26, 2011 but implementation of the share plan was still pending as of September 30, 2011 because the Florida Division of Retirement had not completed its review nor given its final approval.

Ordinance No. 2011-67
This ordinance reduced the firefighter multipliers for each year of service in accordance with their October 1, 2009 collective bargaining agreement. The ordinance was adopted July 26, 2011.

Ordinance No. 2011-47
This ordinance amends the definition of credited service, to bring it into compliance with state statutes, and fixes the section on pension adjustments relating to police officers. It also updated the mortality table and interest rate used for actuarial equivalence. The ordinance was adopted on June 14, 2011.

NOTE 6 – PLAN AMENDMENTS (CONTINUED)

Ordinance No. 2010-36
This ordinance amends the definitions and limitations sections and deletes required distribution of benefits and rollover distributions to eligible retirement plans. It updates the tax compliance language providing details required by the Internal Revenue Service and optional provisions that apply. The ordinance was adopted on June 22, 2010.

Ordinance No. 2010-34
The amendment incorporates a Deferred Retirement Option Plan (DROP) loan program. The ordinance was adopted on June 22, 2010.

Ordinance No. 2010-33
Changes to the designated beneficiary or joint annuitant can be made up to two times without board approval. The optional forms of retirement benefits section was amended to comply with reporting and other requirements. The "pensions not assignable" section was amended to provide for the deduction of funds for retired members' accident, health, and long-term care insurance premiums. Section "termination of the system" was amended to comply with fund distribution procedures. The ordinance was adopted on June 22, 2010.

Ordinance No. 2010-12
The definitions section was amended to include a lump sum payment for firefighters for fiscal year 2008/2009 in the definition of earnings. A new section, Deferred Retirement Option Plan incorporated DROP rules and regulations into the City's code of ordinances as agreed upon and negotiated by the City and the International Association of Firefighters. This ordinance was adopted November 24, 2009.

NOTE 7 – INVESTMENT IN POMPANO BEACH INVESTORS, LLC

In a prior year, the System acquired a one hundred percent ownership interest in Pompano Beach Investors, LLC (the LLC) a Florida limited liability company. The LLC had entered into an agreement to purchase commercial real estate in Pompano Beach, Florida for operating facilities and investment purposes. The purchase price stated in the contract was $4.4 million. The purchase agreement was completed in March 2007.

The member's equity of the LLC as of September 30, 2011 is $4,844,775 as reported on the LLC's balance sheet (see page 26), however, as required by the accounting standards, the investment in the LLC is reported at fair value on the statement of plan net assets of the System as an investment in real estate. During fiscal year 2011, the LLC changed its year end from December 31st to September 30th. The amount of this investment as of September 30, 2011 is $3,475,477 compared to $3,541,774 as of September 30, 2010. The net loss of the LLC for the period ended September 30, 2011 of $66,298 is included in net appreciation (depreciation) in fair value of investments in the statement of changes in plan net assets.

REQUIRED SUPPLEMENTARY INFORMATION

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

(Dollar Amounts in Thousands)

Actuarial Valuation Date October 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2005	132,791	191,642	58,851	69.3%	18,639	315.7%
2006	145,927	201,086	55,159	72.6%	18,681	295.3%
2007	159,561	209,618	50,057	76.1%	19,203	260.7%
2008	164,826	216,871	52,045	76.0%	18,938	274.8%
2009	165,046	229,557	64,511	71.9%	18,187	354.7%
2010	169,136	242,462	73,326	69.8%	16,804	436.4%

Schedule of Contributions From Employer and Other Contributing Entity

Plan Year Ended September 30	Annual Required Contributions	Percentage Contributed
2006	6,092,213	100.0%
2007	6,742,158	100.0%
2008	6,541,199	100.0%
2009	6,321,557	100.0%
2010	6,828,542	100.0%
2011	7,928,169	100.0%

Annual required contributions represent required employer contributions of the City of Pompano Beach and Broward Sheriff's Office and do not include State contributions.

SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2010 Change in plan provisions and actuarial methods since prior actuarial valuations:

- The assumed rate of investment return was decreased from 8.3% to 8.1% as another step in the ultimate reduction to 7.5% as of October 1, 2013.

2009 Change in plan provisions and actuarial methods since prior actuarial valuations:

- The assumed rate of investment return was decreased from 8.5% to 8.3%. The assumed return will be lowered each year by 0.20% until the rate is equal to 7.50% as of October 1, 2013.

2008 Change in plan provisions and actuarial methods since prior actuarial valuations:

- The salary increase assumption was changed to reflect a constant rate of inflation in addition to service based salary increases.
- Termination rates based on age were changed to select rates based on service and ultimate rates based on age to more closely reflect the actual experience of the Plan.
- Retirement rates were changed to rates based on years eligible for normal retirement.
- Disability rates for Police Officers were reduced by one half.
- A new asset smoothing method was used to further reduce fluctuation from year to year in the actuarial value of assets. The new method recognizes the expected investment return plus 20% of the difference between the expected and actual investment return.

2007 Change in plan provisions and actuarial methods since prior actuarial valuations:

- None

2006 Change in plan provisions and actuarial methods since prior actuarial valuations:

- None

2005 Change in plan provisions and actuarial methods since prior actuarial valuations:

- For police members only, the definition of pensionable earnings was changed to include up to 25 hours of overtime per year.

OTHER SUPPLEMENTARY INFORMATION

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010)

OTHER SUPPLEMENTARY INFORMATION

	2011	2010
Administrative Expenses		
Salaries and payroll taxes	$ 213,121	$ 310,417
Legal fees	85,268	94,032
DROP administration fees	50,374	50,728
Office expenses	48,418	47,316
Actuarial fees	46,771	48,296
Insurance	44,509	48,955
Employer retirement plan contribution (401a)	18,467	16,218
Audit and accounting fees	17,811	33,320
Trustee expenses	13,647	33,454
Depreciation expense	10,728	9,606
Computer support fees	5,063	5,877
Office supplies	2,938	3,739
Telephone	3,000	3,194
Physical examinations	1,712	938
Postage	1,562	1,671
Record storage	1,462	1,586
Repairs and maintenance	1,152	1,205
Office equipment	1,125	--
Death audits	600	200
Publications	126	711
Total Administrative Expenses	$ 567,854	$ 711,464
Investment Expenses		
Investment advisory fees	$ 1,029,087	$ 835,043
Performance measurement	74,500	69,446
Custodial fees	66,878	36,276
Total Investment Expenses	$ 1,170,465	$ 940,765

OTHER INFORMATION

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

POMPANO BEACH INVESTORS, LLC

BALANCE SHEET

SEPTEMBER 30, 2011

OTHER INFORMATION

Assets		
Cash and cash equivalents	$	342,245
Prepaid expenses		48,686
Property and equipment, net		4,544,217
Total Assets	$	4,935,148
Liabilities and Member's Equity		
Accounts payable	$	90,048
Accrued liabilities		325
Total Liabilities		90,373
Member's equity		4,844,775
Total Liabilities and Member's Equity	$	4,935,148

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

POMPANO BEACH INVESTORS, LLC

SCHEDULE OF INCOME AND MEMBER'S EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2011

OTHER INFORMATION

Rental Revenue	$ 316,022
Operating Expenses	396,327
Loss from Operations	(80,305)
Other Income	
Interest income	14,007
Net Loss	(66,298)
Member's Equity - Beginning of Year	4,911,073
Member's Equity - End of Year	$ 4,844,775

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

POMPANO BEACH INVESTORS, LLC

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

OTHER INFORMATION

	Amount	% of Rental Revenue
Real Estate Taxes	$ 80,499	25.5%
Depreciation Expense	78,789	24.9%
Electricity	55,803	17.7%
Property & Liability Insurance	27,344	8.7%
R & M - HVAC Contract	18,869	6.0%
Maintenance Staff - 3rd Party	18,180	5.8%
Management Fee - 3rd Party	18,000	5.7%
Janitorial Contract - Tenant Spaces	15,097	4.8%
Water & Sewer	10,504	3.3%
Landscaping Contract	10,115	3.2%
Fire Prevention	9,204	2.9%
Amortization Def Leasing & Mkting Costs	8,852	2.8%
Property Manager - 3rd Party	6,480	2.1%
Trash Removal	5,227	1.7%
Parking Lot Cleaning & Sweeping	5,070	1.6%
R & M - Elevator Contract/Maint.	4,235	1.3%
Lighting Supplies and Maintenance	3,516	1.1%
R & M - Plumbing	3,209	1.0%
R & M - Roof Repairs	2,455	0.8%
Legal Fees	2,353	0.7%
R & M - Tools & Supplies	2,201	0.7%
Interior Plant service	1,501	0.5%
R & M - Other	1,080	0.3%
Parking Lot Repairs	1,075	0.3%
Janitorial Contract - Common Area	849	0.3%
Pest Control	834	0.3%
R & M - HVAC Supplies	765	0.2%
Signage	629	0.2%
R & M - Sign Repair	619	0.2%

(Continued)

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

POMPANO BEACH INVESTORS, LLC

SCHEDULE OF OPERATING EXPENSES (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

OTHER INFORMATION

	Amount	% of Rental Revenue
Other Professional Fees	$ 573	0.2%
Irrigation Supplies	521	0.2%
Gifts	489	0.2%
Licenses, Fees & Permits	314	0.1%
Postage	259	0.1%
Locks & Keys	259	0.1%
Tenant Relations	251	0.1%
R & M - Electrical Maint & Supp	148	0.0%
Lawn Sprinkler & Irrigation Repairs	76	0.0%
R & M - Painting	56	0.0%
General Admin.	30	0.0%
Total Operating Expenses	$ 396,327	125.4%

COMPLIANCE SECTION

INDEPENDENT AUDITORS' 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
Pompano Beach Police and Firefighters' Retirement System
Pompano Beach, Florida

We have audited the financial statements of Pompano Beach Police and Firefighters' Retirement System (the System) as of September 30, 2011 and the related statement of changes in plan net assets for the year then ended, and have issued our report thereon, dated January 10, 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

In planning and performing our audit, we considered the System'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 System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 over financial reporting 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 System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, the System Administrator, System members, and the City of Pompano Beach and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Fort Lauderdale, FL
January 10, 2012