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, 2012

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

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MARCUM
ACCOUNTANTS ▲ ADVISORS

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, 2012, 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 2011 financial statements, which our report dated January 10, 2012 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, 2012 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 16, 2013 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.

MARCUMGROUP
MEMBER

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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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 financial statements taken as a whole. The accompanying Schedule of Administrative and Investment Expenses (supplementary information) is not a required part of the financial statements, and is presented solely for analysis purposes. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of Financial Information for Pompano Beach Investors LLC (other information) 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 financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Marcum LLP

Fort Lauderdale, FL
January 16, 2013

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, 2012 and 2011 and identifying significant changes in the financial position. Please read it in conjunction with the 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 31 active police officers, 151 active firefighters and 373 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, 2012 and 2011. 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 net 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 (supplementary information) 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 (other information).

Financial Highlights

Fiscal Year 2012:

- Net assets increased by $19.5 million from $180.0 million at September 30, 2011 to $199.5 million at September 30, 2012, or 10.8%, due primarily to positive investment returns.
- The gain on investments was 16.78%, net of fees, on a market value basis, which significantly exceeded the assumed investment rate of return of 7.9%.
- At October 1, 2011, the date of the most recent actuarial valuation, the System had a funded ratio of 69.0%, a decrease of .8% from the previous year's level of 69.8%.
- The System received $1.5 million in member contributions, $3.6 million in employer contributions and $2.2 million in revenue from the State of Florida during 2012. Employer contributions for 2012 were based on the October 1, 2010 actuarial valuation.

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.

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, 2012 AND 2011

			Increase (Decrease) 2012 to 2011	
	2012	2011	Amount	Percent
Assets other than investments	$ 4,530,222	$ 6,578,172	$ (2,047,950)	-31.1%
Investments, at fair value	206,496,076	176,373,326	30,122,750	17.1%
Total Assets	211,026,298	182,951,498	28,074,800	15.3%
Liabilities	11,467,405	2,919,713	8,547,692	292.8%
Net Assets	$ 199,558,893	$ 180,031,785	$19,527,108	10.8%

Net assets held in trust for pension benefits totaled $199.5 million at September 30, 2012 compared to $180.0 million at September 30, 2011, an increase of $19.5 million. Current and other assets, reflecting cash, amounts owed for pending trades due from brokers and receivables at September 30, 2012 were $4.5 million. Investments totaled $206.5 million, which is an increase of $30.1 million or 17.1% from fiscal year 2011. The increase is primarily attributable to investment gains for the year. The largest portion of the System's net assets is invested in equities. At September 30, 2012, the System held $130.8 million in equities, $50.3 million in fixed income securities, $12.7 million in mutual funds, $3.5 million in Pompano Beach Investors, LLC, a real estate investment, and $9.2 million in money market funds. Total liabilities as of September 30, 2012 were $11.5 million, which included the amount owed to brokers for pending trades of over $6.9 million, accounts payable and accrued expenses of $345,323 and advance employer contributions of $4.2 million. For fiscal year 2012, liabilities increased by $8.5 million from 2011 primarily due to an increase in the amount owed to brokers for pending trades and a change in the employer contribution payment method, as described in the *Funding* section.

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, 2012 AND 2011

			Increase (Decrease) 2012 to 2011	
	2012	2011	Amount	Percent
Employer contributions	$ 3,636,825	$ 7,976,403	$ (4,339,578)	-54.4%
Member contributions	1,500,717	1,613,075	(112,358)	-7.0%
State of Florida contributions	2,152,540	1,934,985	217,555	11.2%
Net investment income	29,004,831	2,965,009	26,039,822	878.2%
Total Additions	$ 36,294,913	$ 14,489,472	$21,805,441	150.5%

Contributions and net investment income totaled $36.3 million in 2012, an increase of $21.8 million from 2011.

During the year, the method by which the employer contributions are paid changed from a level dollar amount to a percentage of payroll. This change was made retroactive to the 2011 fiscal year, resulting in a prepaid employer contribution that carried over to 2012. The methodology change also created excess contributions for 2012, resulting in a cumulative prepaid contribution in the amount of $4.2 million at the end of the year. As a result of the methodology change, total employer contributions decreased $4.3 million from the previous year. Employer contributions for 2012 were based on the rates from the October 1, 2010 actuarial valuation. The excess contributions were created by total fiscal year payroll that was less than assumed in the valuation report. Member contributions decreased $112,358 in 2012 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 $217,555 in 2012 compared to 2011.

The System incurred a positive return on the market value of its investments in 2012. Net investment income of $29.0 million was recognized in 2012, compared with net investment income of $3.0 million in 2011. The net appreciation in the fair value of investments was $26.1 million for 2012 compared to $208,883 in 2011. Interest, dividends and other investment income generated income of $4.1 million for 2012, which was a 3.2% increase from the previous year.

Investment management fees are asset based and normally increase as the total assets increase. Investment expenses increased $23,674 from 2011. 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, Deferred Retirement Option Plan (DROP) and Share Plan 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, 2012 AND 2011

			Increase (Decrease) 2012 to 2011	
	2012	2011	Amount	Percent
Benefit payments	$ 15,921,800	$ 15,048,904	$ 872,896	5.8%
Refund of contributions	250,631	--	250,631	100.0%
Administrative expenses	595,374	567,853	27,521	4.8%
Total Deductions	$ 16,767,805	$ 15,616,757	$ 1,151,048	7.4%

The largest expense was for benefits paid to retirees and beneficiaries. Benefit payments totaled approximately $15.9 million for fiscal year 2012, an increase of $872,896 or 5.8% from 2011, attributable to the increase in the number of retirees, the annual 2% cost-of-living adjustment and DROP and Share Plan distributions. There were two refunds of contributions to deceased and terminating members in 2012; there were none the previous year. For both years ended September 30, 2012 and 2011, administrative expenses (not including investment management fees) were 0.3% of the System's net assets.

Further analysis of benefit payments follows:

BENEFIT PAYMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

			Increase (Decrease) 2012 to 2011	
	2012	2011	Amount	Percent
Normal retirement payments	$ 11,934,089	$ 10,976,503	$ 957,586	8.7%
Disability pension payments	1,197,328	1,164,954	32,374	2.8%
Beneficiary payments	677,214	622,788	54,426	8.7%
Share plan payments	239,394	-	239,394	100%
DROP account withdrawals	1,873,775	2,284,659	(410,884)	-18.0%
Total Benefit Payments	$ 15,921,800	$ 15,048,904	$ 872,896	5.8%

Funding

An actuarial valuation of the System's assets and benefit obligations is performed annually. The latest actuarial valuation dated October 1, 2011, as revised, showed the System had a ratio of actuarially determined pension assets-to-liabilities or funded ratio of 69.0%, down .8% from 69.8% on October 1, 2010. Had the report not been revised as a result of the change in the employer payment methodology, the funded ratio would have been 69.7%. At October 1, 2011 the System's actuarial accrued liability exceeded the actuarial value of assets by $81.6 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 funded ratio also decreased by .7% in fiscal year 2011 as a result of the change in the employer payment methodology. While the investment losses and lowering of the investment assumption rate have added to the required employer contribution, the change in payment methodology for 2011 and 2012 helped to mitigate those rising costs. The expected actuarial gain for 2012 and the retirement of several large actuarial losses should cause the funded ratio to increase.

Investment Activity

The System's net assets have consistently increased over the last 35 years, with the exception of a few years during which there were downturns in the financial markets. For that 35-year period, the average compounded rate of return on an actuarial asset basis was 7.5% and 8.2% 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.

FINANCIAL STATEMENTS

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

STATEMENT OF PLAN NET ASSETS

SEPTEMBER 30, 2012
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2011)

	2012	2011
Assets		
Cash	$ 5,472	$ 754
Due from brokers	3,631,382	4,801,550
Receivables		
Accrued interest and dividends	460,997	434,372
Other receivables	373,556	157,171
Total Receivables	834,553	591,543
Investments, at Fair Value		
U. S. Government agency obligations	15,817,070	11,980,501
Mortgage backed securities	15,082,781	13,122,754
Municipal obligations	665,661	641,084
Corporate obligations	18,713,674	16,386,335
Equity securities	130,829,631	109,675,180
Mutual funds and collective trusts	12,745,122	7,513,063
Pompano Beach Investors LLC (real estate)	3,428,960	3,475,477
Money market funds	9,213,177	13,578,932
Total Investments	206,496,076	176,373,326
Prepayments and other assets	1,350	1,118,901
Property and equipment, net of accumulated depreciation of $82,346 and $70,888, respectively	57,465	65,424
Total Assets	211,026,298	182,951,498
Liabilities		
Accounts payable and accrued expenses	345,323	254,594
Due to brokers	6,915,440	2,665,119
Advance contribution from employer	4,206,642	--
Total Liabilities	11,467,405	2,919,713
Net Assets Held in Trust for Pension Benefits	$ 199,558,893	$ 180,031,785

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, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

	2012	2011
Additions		
Contributions:		
City of Pompano Beach	$ 1,905,074	$ 4,560,434
Broward County Sheriff's Office	1,731,751	3,415,969
Members	1,500,717	1,613,075
State of Florida	2,152,540	1,934,985
Total Contributions	7,290,082	11,524,463
Investment Income		
Net appreciation in fair value of investments	26,147,200	208,883
Interest and dividends	3,953,249	3,866,320
Miscellaneous investment income	98,521	60,271
	30,198,970	4,135,474
Less: investment expenses	(1,194,139)	(1,170,465)
Net Investment Income	29,004,831	2,965,009
Total Additions	36,294,913	14,489,472
Deductions		
Benefit payments	15,921,800	15,048,904
Refund of participant contributions	250,631	--
Administrative expenses	595,374	567,853
Total Deductions	16,767,805	15,616,757
Net Increase (Decrease)	19,527,108	(1,127,285)
Net Assets Held in Trust for Pension Benefits		
Beginning of year	180,031,785	181,159,070
End of year	$ 199,558,893	$ 180,031,785

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 (the City) 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 as 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, 2011, 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 was established by ordinance of the City of Pompano Beach 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 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 not to exceed 50%.

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. 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, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	309
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	48
Active plan members	191
	548

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

DROP PLAN

Any member who is eligible to receive a normal retirement pension, 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, 2012 and 2011, the balance in the DROP account was $17,145,667 and $14,134,498, 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, 2012, the balance of DROP loans was $157,874.

SHARE PLAN

A Supplemental Retirement Benefit Plan was established for firefighter members who were employed on October 1, 2010. Firefighters who were actively employed on that date were given a share, based on completed months of service, of the existing Chapter 175 reserves. Annually thereafter, Chapter 175 contributions exceeding $821,230 are also allocated to members who are employed at the end of each fiscal year. In addition, earnings are posted to the share plan accounts each January 1. Firefighters become vested in their accounts at the rate of 50% after 10 years of service, 75% after 15 years of service and 100% after 20 years of service. As of September 30, 2012, the balance in the share plan account was $2,830,516. This amount is included in the total investment balance presented on the statement of plan net assets.

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

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, 2011 actuarial valuation, the cumulative balance of additional premium tax revenues reserved to provide future benefit improvements totals $4,084,557 of which $215,163 pertains to the police members (Chapter 185 funds) and $3,869,394 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.

NOTE 3 – INVESTMENTS (CONTINUED)

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%

INTEREST RATE RISK

As of September 30, 2012, 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	$ 15,143,652	$ 6,578,848	$ 5,371,571	$ 787,925	$ 2,405,308
U.S. Federal agencies	673,420	--	290,237	383,183	--
U.S. Mortgage backed securities	11,546,233	--	17,923	1,634,756	9,893,554
Municipal obligations	665,661	--	--	--	665,661
Corporate obligations	18,713,673	61,468	6,808,239	8,641,137	3,202,829
Collateralized mortgage obligations	3,536,547	--	--	387,000	3,149,547
	$ 50,279,186	$ 6,640,316	$ 12,487,970	$ 11,834,001	$ 19,316,899

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.

NOTE 3 – INVESTMENTS (CONTINUED)

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, 2012 ranged between AAA and CCC and below ratings. All of the fixed income investments for the fiscal year ended September 30, 2012 met the ratings requirements of the investment policy or an approved exception thereto.

Credit Rating by Standard & Poor's	Fair Value	Corporate	Municipal	U.S. Government
U.S. Government guaranteed*	$ 26,689,885	$ --	$ --	$ 26,689,885
Credit risk debt securities:				
AAA	1,503,574	1,503,574	--	--
AA	4,217,335	2,941,128	602,787	673,420
A	7,380,059	7,317,185	62,874	--
BBB	6,850,519	6,850,519	--	--
BB	415,548	415,548	--	--
B	170,010	170,010	--	--
CCC and Below	72,973	72,973	--	--
Not Rated	2,979,283	2,979,283	--	--
Total credit risk debt securities	23,589,301	22,250,220	665,661	673,420
Total Fixed Income Securities	$ 50,279,186	$ 22,250,220	$ 665,661	$ 27,363,305

*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).

NOTE 3 – INVESTMENTS (CONTINUED)

CONCENTRATION OF CREDIT RISK (CONTINUED)

As of September 30, 2012, none of the System’s investments were held with any single issuer that represents 5% or more of System’s investments.

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 versus 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, 2012 are based on the normal contribution rate developed in the October 1, 2010 actuarial valuation. The October 1, 2011 actuarial valuation suggested a 31.05% contribution as a percentage of covered payroll for the firefighters and 84.67% for the police officers. The funded status of the System on October 1, 2011, 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)
2011	$ 181,340	$ 262,937	$ 81,597	69.0%	$ 15,514	526.0%

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 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*	7.90%
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, 2012 and 2011, the City Code of Ordinances providing for the creation and operation of the System was amended as follows:

Ordinance No. 2012-41
This ordinance reinstated a “pop-up” provision that allows a retired member, who chose a Joint & Survivor option and whose joint annuitant dies, to make a one-time election to have his/her benefit converted to the “normal” form of benefit. This ordinance was adopted April 24, 2012.

Ordinance No. 2012-31
This ordinance enacted technical changes to Ordinance No. 2011-68 as a result of final review by the Florida Division of Retirement. It was adopted March 13, 2012.

Ordinance No. 2012-30
This ordinance enacted technical changes to Ordinance No. 2011-67 as a result of final review by the Florida Division of Retirement. It was adopted March 13, 2012.

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.

NOTE 6 – PLAN AMENDMENTS (CONTINUED)

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 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, 2012 is $4,798,257 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, 2012 is $3,428,960 as compared to $3,475,477 as of September 30, 2011. The net loss of the LLC for the period ended September 30, 2012 of $46,518 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)
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%
2011	181,340	262,937	81,597	69.0%	15,514	526.0%

Schedule of Contributions From Employer and Other Contributing Entity

Plan Year Ended September 30	Annual Required Contributions	Percentage Contributed
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	6,085,623	100.0%
2012	5,789,365	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. Effective for fiscal year 2012, the actuarial required contribution was paid as a percentage of payroll versus a level dollar amount.

NOTES TO THE SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITY

SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2011 Change in plan provisions and actuarial methods since prior actuarial valuations:

- The assumed rate of investment return was decreased from 8.1% to 7.9% as another step in the ultimate reduction to 7.5% as of October 1, 2013.
- The Actuarial Required Contribution will be paid as a percentage of payroll versus a level dollar amount.
- A supplemental "share" plan was established for firefighters. Funds received from the State of Florida in excess of $821,230 annually will be allocated to eligible members.

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.

SUPPLEMENTARY INFORMATION

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

SUPPLEMENTARY INFORMATION

	2012	2011
Administrative Expenses		
Salaries and payroll taxes	$ 248,341	$ 213,121
Legal fees	63,020	85,268
Actuarial fees	62,308	46,771
DROP administration fees	51,176	50,374
Office expenses	48,480	48,418
Trustee expenses	31,840	13,647
Audit and accounting fees	26,000	17,811
Insurance	19,051	44,509
Employer retirement plan contribution 401(a)	17,366	18,467
Depreciation expense	11,457	10,728
Computer support fees	4,280	5,063
Physical examinations	3,806	1,712
Telephone	2,906	3,000
Repairs and maintenance	2,354	1,152
Office equipment	1,073	1,125
Office supplies	1,003	2,938
Postage	513	1,562
Record storage	--	1,462
Death audits	400	600
Publications	--	125
Total Administrative Expenses	$ 595,374	$ 567,853
Investment Expenses		
Investment advisory fees	$ 1,062,352	$ 1,029,087
Performance measurement	76,057	74,500
Custodial fees	55,730	66,878
Total Investment Expenses	$ 1,194,139	$ 1,170,465

OTHER UNAUDITED INFORMATION

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

POMPANO BEACH INVESTORS, LLC

BALANCE SHEET

SEPTEMBER 30, 2012

OTHER UNAUDITED INFORMATION

Assets	
Cash and cash equivalents	$ 81,984
Receivables	12,739
Prepaid expenses	65,827
Property and equipment, net	4,749,341
Total Assets	$ 4,909,891
Liabilities and Member's Equity	
Accounts payable	$ 111,309
Accrued liabilities	325
Total Liabilities	111,634
Member's Equity	4,798,257
Total Liabilities and Member's Equity	$ 4,909,891

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

POMPANO BEACH INVESTORS, LLC

SCHEDULE OF INCOME AND MEMBER'S EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2012

OTHER UNAUDITED INFORMATION

Rental Revenue	$ 346,864
Operating Expenses	412,114
Loss from Operations	(65,250)
Other Income	
Interest income	18,732
Net Loss	(46,518)
Member's Equity - Beginning of Year	4,844,775
Member's Equity - End of Year	$ 4,798,257

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

POMPANO BEACH INVESTORS, LLC

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

OTHER UNAUDITED INFORMATION

	Amount	% of Rental Revenue
Depreciation expense	$ 85,243	24.6%
Real estate taxes, net of refunds	80,298	23.1%
Electricity	59,017	17.0%
Property and liability insurance	27,924	8.1%
Janitorial contract - tenant spaces	24,141	7.0%
Repairs and maintenance - HVAC contract	18,446	5.3%
Maintenance staff - 3rd party	18,180	5.2%
Management fee - 3rd party	18,000	5.2%
Landscaping contract	11,055	3.2%
Amortization, deferred leasing and marketing costs	10,127	2.9%
Fire prevention	7,944	2.3%
Water and sewer	7,428	2.1%
Property manager - 3rd party	6,480	1.9%
Repairs and maintenance - plumbing	5,748	1.7%
Trash removal	4,537	1.3%
Parking lot cleaning and sweeping	4,290	1.2%
Repairs and maintenance - roof repairs	3,784	1.1%
Repairs and maintenance - other	2,766	0.8%
Lighting supplies and maintenance	2,219	0.6%
Tenant relations	2,060	0.6%
Legal fees	1,893	0.5%
Repairs and maintenance - elevator contract/maintenance	1,792	0.5%
Interior plant service	1,452	0.4%
Repairs and maintenance - tools and supplies	1,317	0.4%
Repairs and maintenance - sign repair	1,223	0.4%
Repairs and maintenance - window cleaning	950	0.3%
Signage	737	0.2%
Repairs and maintenance - building general repairs	659	0.2%
Pest control	449	0.1%

(Continued)

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

POMPANO BEACH INVESTORS, LLC

SCHEDULE OF OPERATING EXPENSES (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

OTHER UNAUDITED INFORMATION

	Amount	% of Rental Revenue
Trash recycle	$ 400	0.1%
Locks and keys	312	0.1%
Other professional fees	300	0.1%
Licenses, fees and permits	260	0.1%
Repairs and maintenance - electrical maintenance and supplies	182	0.1%
Parking lot repainting/restriping	122	0.0%
Postage	106	0.0%
Janitorial supplies	84	0.0%
Bank fees	75	0.0%
General administrative	60	0.0%
Doors and carpets	54	0.0%
Total Operating Expenses	$ 412,114	118.8%

REPORTING 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, 2012 and the related statement of changes in plan net assets for the year then ended, and have issued our report thereon, dated January 16, 2013. 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.

MARCUMGROUP MEMBER

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marcumllp.com

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 16, 2013