

City of Sunrise, Florida Police Officers' Retirement Plan

(a component unit of the City of Sunrise)



Comprehensive Annual Financial Report

For the fiscal year ended
September 30, 2006

CITY OF SUNRISE, FLORIDA
POLICE OFFICERS'
RETIREMENT PLAN

(a component unit of the City of Sunrise, Florida)

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2006

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CITY OF SUNRISE, FLORIDA
POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
September 30, 2006 and 2005

PREPARED BY: THE PLAN ADMINISTRATOR

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INTRODUCTORY SECTION

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CITY OF SUNRISE, FLORIDA
POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

Years Ended September 30, 2006 and 2005

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CITY OF SUNRISE, FLORIDA
POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

Years Ended September 30, 2006 and 2005

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LETTER OF TRANSMITTAL

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City of Sunrise, Florida

POLICE OFFICERS' RETIREMENT PLAN

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March 12 2007

Gerald Eddy, Chairman
and Police Pension Board Members
13790 NW 4 Street, Suite 105
Sunrise, Florida 33325

We are pleased to submit for your review the Comprehensive Annual Financial Report (CAFR) for the City of Sunrise Police Pension Fund (the Plan) for the fiscal year ended September 30, 2006. This report is a full and complete disclosure of the structure and financial status of the Plan. It has been prepared by the Board's Plan Administrator in accordance with accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB). The Plan Administrator is responsible for the accuracy of the data and the completeness and fairness of its presentation (including all disclosures).

This CAFR is divided into five sections. These sections are described below:

Introductory Section - includes this Letter of Transmittal, a description of the Plan's administrative structure, a summary of major Plan provisions, and a list of Board members (trustees and staff).

Financial Section - includes the independent auditor's report. Management's Discussion and Analysis (MD & A), financial statements for the Plan and certain required supplementary information related to the Plan.

Investment Section - includes the investment activity report, a summary of investment policies, and reports related to investment performance and various other investment related schedules.

Actuarial Section - contains the consulting actuary's Certification Letter as well as the results of the annual actuarial valuation report.

Statistical Section - includes trend information that is considered statistical and/or financial in nature.

Plan History and Description

In 1972 the City Commission created the authority for the City's Pension Fund by local Ordinance. The Plan at that juncture was under one umbrella and included all three classifications of city employees (General Employees, as well as Police & Fire Employees). In 1989, the City Commission by local Ordinance created three individual pension boards, each of the foregoing classifications cited.

Chapter 185 of the Florida Statutes (F.S.) (which was initially enacted in 1963 to establish minimal requirement for local plans) in part defines standards for the organizational, operational and actuarial structure of the Plan.

There have been several amendments to the ordinance since its original inception in 1989. In this plan year, the normal retirement benefit was changed as a result of the collective bargaining process. The retirement trigger has remained unchanged, and a member at any age with a minimum of 20 years continuous service, or age 53 with 10 continuous years of service can still retire.

There is now a tiered system based on your date of employment. Today, members receive a normal benefit of 70% (increased from 60%) at 20 years of continuous service. For members hired after January 1, 2006, the revised multiplier is (3% per year for the first ten years and 4% for the next ten years, plus 2% for each year thereafter; subject to a maximum of 80% average final compensation). For members employed on October 1, 2003 and retire after January 1, 2006, they are entitled to receive the greater of the benefit noted above or, a multiplier of (4% per year for the first ten years and 2% thereafter. 2% will be added to the total percentage for members who were vested as of January 1, 2006. An additional 2% will be added to the total percentage for members actively employed until age 53 with 10 or more years of credited service.

Additionally, members who terminate and begin receiving early or normal retirement benefits on or after January 1, 2006, will receive a supplemental monthly benefit equal to \$16.25 per year of service with a maximum of \$325.00 per month. At age 65, the supplemental distribution is reduced to \$10.00 per year of service with a maximum of \$200.00 per month thereafter.

Member contributions and city contributions were also revised this year. Effective October 1, 2005, the member's baseline contribution increased from 8.15% to 9.15%. On October 1, 2006 the member's baseline contribution will again increase by one percent to 10.15. This is not a temporary measure and will be the baseline for members' contributions. The city is insulated by what is described as a threshold rate of 13% as of October 1, 2005. Essentially, when the plan cost exceeds the city threshold, the increase is split 50/50 between the city and the members. As described allowing for the threshold, the city contribution is 14.69% (16.37% prior to threshold) beginning October 1, 2005. The member contribution is raised from 9.15% to 10.84% beginning October 1, 2005.

Plan Administration

Administration and responsibility for the Plan is vested with the Board of Trustees (the Board). The Plan is a single employer defined benefit plan covering all full-time City Police Officers. Florida Statute (F.S.) Chapter 185 requires the Board to be comprised of five trustees serving concurrent two-year terms. By majority vote, trustees elect from among themselves a chairman and secretary. Composition of the Board is specified in F.S. Chapter 185 as follows:

- Two City residents, who are members of the Plan, are appointed by the City Commission;

- Two Police Officers elected by a majority of the actively employed Plan participants; and,
- One member chosen by a majority of the other four members, and ministerially appointed by the City Commission, which may be an active or retired member of the Plan.

Two individuals serve the Board in staff positions. Included in these positions are the Pension Administrator and the Recording Secretary. Funding of these positions are paid for by the Plan and are reimbursed Actuarially by the City, which is responsible for administrative costs.

The Board has a fiduciary responsibility to the Plan and its participants and, as such, must exercise prudent judgment in its oversight and administration of the Trust Fund. The Board and staff regularly participate in educational conferences to keep themselves abreast of pension industry directional changes, technical concepts and approaches to plan management, plan structure and asset management.

The Board meets at least quarterly with the Performance Measurement Consultant (the Investment Performance Monitor) to review the performance of each manager, asset class and the plan investments in aggregate. When appropriate, the Board terminates existing Performance Monitors and hires replacement or additional managers. When necessary, the Board directs the Consultant to conduct an asset allocation study (typically every three to five years) and reallocations of assets are implemented, if deemed appropriate.

The Board also evaluates disability retirement applications and conducts public hearings to determine if a permanent disability exists, if the disability is a line of duty or non-line of duty disability and whether the disability prohibits the participant from performing the necessary duties of the position within certain parameters and conditions of the Plan.

Additionally, the Board employs an enrolled Actuarial Consultant (the Actuary) to perform an annual actuarial valuation of the plan to determine the funded status, funding requirements and to monitor trends related to assumptions, expectations, and actual results.

Generally, the Performance Monitor and Actuary services are reviewed periodically and requests for proposals issued at least every five years.

Beyond providing staff support for all administrative needs and serving as the liaison with all investment managers and consultants, the Plan Administrator also provides the following services on behalf of the Board:

Pre-retirement counseling;
Timely processing of benefit claims;
Monthly processing and distribution of benefit checks; and
Accounting and financial reporting.

BOARD ACTION

The Board of Trustees and the plan's investment monitor have discussed the lackluster rate of return by its large cap growth manager. On the one, three and five year returns, the large cap a manager underperformed. A search for a new large cap growth investment manager was launched.

Furthermore, the Board remained concerned with the risk/reward taken by a bond manager. The beta (risk) of the bond manager is more volatile than the market, while its alpha (return) is less than the market. Going forward in the next fiscal year, this bond manager's services will be terminated and the assets transferred to a bond manager currently on board with historical returns in the top quartile in the one, three and five year measurement periods.

During the past year, the Board of Trustees (*via the Plan Administrator*) closely monitored the collective bargaining process, and offered its expertise to both the city and the union for the members when sought. The Board remains committed to administer the plan pursuant to the collective bargaining process.

FINANCIAL INFORMATION

Controls

In developing and evaluating the Plan's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the following:

Safeguarding of assets against loss from unauthorized use or disposition;
and
Reliability and adequacy of accounting records.

The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived. Reasonable assurance also recognizes that valuation of costs and benefits require estimates and judgments by management.

All internal control evaluations occur within the above framework. The Plan's internal accounting controls adequately safeguard assets and provide assurance that financial transactions are properly recorded. Key controls are continually tested and evaluated by the Plan Administrator. Financial controls are maintained in the account group level within program or project appropriations. Trustee related costs are also closely monitored in an effort to be reasonable and prudent. Benefits and refunds are not budgeted as they are considered participant rights. Primarily, Trustee costs represent investment-related costs. Money manager and Master Custodian (the Custodian) fees are asset and activity based and considered investment costs. Consultant fees are also considered investment costs. Contributions to the Plan are estimated annually as they represent expenditures/expenses of other funds.

Assets, liabilities, revenues, and expenses are recorded using the accrual basis of accounting. Revenues and expenses are recorded when earned or incurred, regardless of collection or disbursement. The Plan is actuarially evaluated using the frozen entry age method.

Revenues and Expenses

Revenues of the Plan for the fiscal years ended September 30, 2006, 2005 and 2004 are summarized as follows:

Sources	2006		2005		2004	
	Amount	%	Amount	%	Amount	%
Investment income (loss)	\$ 1,894,878	30.1%	\$ 2,453,664	39.4%	\$ 1,866,372	34.0%
Less investment expense	(310,674)	(5.0)	(285,515)	(4.6)	(244,365)	(4.5)
Investment income (loss), net	1,584,204	25.1	2,168,149	34.8	1,622,007	29.5
Employer contributions	1,664,302	26.5	1,341,822	21.5	1,252,491	22.8
Plan member contributions	1,267,510	20.2	1,023,732	16.7	1,016,411	18.9
State excise tax rebate	512,973	8.3	503,294	8.1	497,445	9.1
Interest and dividends	1,235,520	19.8	1,175,498	18.8	1,074,159	19.6
Other income	44,039	.1	26,679	.1	21,556	.1
Total	\$ 6,308,548	100%	\$ 6,239,174	100%	\$ 5,484,069	100%

Revenues essential to the sound funding of the Plan are from contributions and net investment earnings. Contributions and the state excise tax rebate are made to the Plan from the following:

Budgeted City Funds - based on the actuarially determined rates in accordance with F.S. Chapter 112;

Allocated Property Insurance Premium Taxes - received from the State pursuant to F.S. Chapter 185; and

Active Plan Participants - based on collective bargaining agreement, as of October 1, 2005, active members now contribute 9.15% of their pay, plus the threshold discussed. As of October 1, 2005, if the city's cost exceeds 13.0% of covered payroll, the plan members and the city share the overage 50/50.

For fiscal year beginning October 1, 2005, the city's cost established at 19.49%. The city received a credit of 3.12% from state monies, which reduced the amount due to 16.37%. The city's funding threshold was set at 13.0% of payroll. Due to the cost sharing method described above, the member's contribution was increased to 10.84% (9.15% + 50% of the threshold) and the city's cost reduced to 14.69%.

The actuarial investment return for the fiscal year of October 1, 2005 was 6.57% (net of investment expenses). This return was less than favorably desired, and missed the actuarial average interest rate assumption of 8.5%. The plan also underperformed compared to its benchmark, which was 8.28%. Additional information about investment activity is addressed in the MD&A (see pages 9 - 10) and in the Investment Section of the CAFR. Plan expenses include recurring benefit payments and administrative costs.

Over the last three years total revenues have been affected primarily by the changes in net investment income as follows:

		Return on Average Plan Net Assets
2006	\$ 2,863,763	6.2%
2005	3,370,326	5.1%
2004	2,721,322	7.0%

While the above return on investment is not actuarially calculated it reflects the changes in investment market conditions over the last three years.

Plan expenses for the three fiscal years ended September 30, 2006 are shown as follows:

	2006		2005		2004	
	Amount	%	Amount	%	Amount	%
Benefits:						
Age and service	\$ 2,039,846	75.3%	\$1,940,220	80.3%	\$1,891,682	82.3%
Disability	153,608	5.7	151,226	6.2	159,674	6.9
DROP	188,744	7.0	-	-	-	-
Refund of contributions	89,199	3.3	151,872	6.3	48,270	2.1
Administrative expenses	236,987	8.7	172,935	7.2	198,613	8.7
Total	<u>\$ 2,708,384</u>	<u>100%</u>	<u>\$2,416,253</u>	<u>100%</u>	<u>\$2,298,239</u>	<u>100%</u>

The Plan has experienced a gradual increase in age and service over the last three years. The leveling in disability retirees resulted from deaths and conversion to age and service status in 2004. Refunds to

participants in 2006 were less than the prior year primarily from a decrease in officer attrition. The DROP payment to a retiring participant occurred early in the 2006 fiscal year.

Funding Status

At October 1, 2005 the plan's funded ratio was 70.0%. This ratio is equal to the actuarially value of assets divided by the actuarial accrued liability using the Entry Age Normal cost method. It is believed that the plan's funded ratio is in line with the average or median of other public retirement systems. This amount includes normal cost and an amortization payment on the unfunded accrued liability. The city's actual payment was \$1,664,302. The contributions are adequate to support the benefits provided by the plan on an actuarially appropriate basis.

Funded Investment Policy and Performance

The time weighted return on the market value of Plan investments was 6.57% points for the year ended September 30, 2006, and an annualized 5.64% for the five year period ended September 30, 2006 as computed by the Performance Monitor - Thistle Asset Consulting (formerly GRS Asset Consulting Group).

A third-party custodial agent holds the plan's investments and all temporary cash positions (money market funds) minimizing the risk on any short-term deposits.

In 1989, the Board adopted a market smoothing approach for actuarial asset valuation purposes. This approach spreads cyclical market variations over a rolling four-year forward period as discussed on page 57.

Variations in investment income on an actuarial basis from year to year reflect realized gains and losses and the effects of market smoothing. Therefore, annual fluctuations in investment income, as used in the actuary's annual funding calculations, are not necessarily indicative of good or poor investment results for the current period.

OTHER INFORMATION

Independent Audit

Florida Statutes require an annual independent audit of the Plan's financial statements. The opinion of Davidson, Jamieson & Cristini, P.L. related to the accompanying statements has been included in this report.

In 1999, the Governmental Accounting Standards Board (GASB) adopted Statement 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments. The standard requires that a Management Discussion and Analysis be included along with annual audited basic financial statements. For Management's Discussion and Analysis for the year ended December 31, 2006, please refer to the financial section in this report.

Professional Services

Professional consultants are appointed by the Board to perform professional services considered essential to the effective and efficient operation of the Plan. Letters from Actuary and Consultant are included in this report. The type of consultants appointed by the Board and their respective expenses are listed on page 33 of this CAFR.

Reporting Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sunrise Police Pension Plan for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2005.

It is understood that in order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

It is further understood that a Certificate of Achievement is valid for a period of one year only. It is believed our current report conforms to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Major Initiatives

This region of the country has been ravaged by hurricanes in recent years. As a result, the Board of Trustees has expanded its electronic achieves system. The Board is concerned that a major storm could compromise our hard copy records. Staff is now directed to scan each pension member's hard copy file and each statement/report received. In order to accomplish this goal in an effective and efficient manner, the Board authorized the lease of a new commercial scanner. Staff is pleased to announce that goal has been accomplished and will maintain the files going forward as received. A back-up copy is maintained off-site in a secure location.

The Board of Trustees lost the most senior board member to retirement during this reporting period. The member held the "appointed position" on the Board of Trustees. An announcement for the vacant position was given to all members, and several responded to be considered. After an interview during an open public meeting, a new member was selected. That new member has already enrolled in a trustee training program designed by the Florida Public Trustees Association (FPPTA). The program is entitled "Certified Public Pension Trustee". The CPPT certificate is attained by attending three levels of educational seminars

(Beginner, Intermediate and Advanced) which include examinations on the material at each level. The seminars include topics such as pension fundamentals, asset allocation, fiduciary responsibilities, performance reporting, legal issues, etc.

Awards & Acknowledgments

The Board of Trustees is proud of the fact the plan was recognized by the Public Pension Coordinating Council, which is a confederation of the National Association of State Retirement Administrators (NASRA), National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR), in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

This report reflects the combined efforts of the Board of Trustees, and Board Staff, Plan advisors and consultants. It is intended to provide complete and reliable information regarding stewardship for the assets of the Plan. Additionally, the report provides a basis for making management decisions. The information can/*also be used as a means of determining compliance with legal provisions.

On behalf of the Board of Trustees, we would like to take this opportunity to express our gratitude to the personnel involved in the compilation of this report.

We hope that this year's report will be of interest to you. Our goal is to continue to improve this report based on comments (feedback) provided by our reviewers. It has been designed to help the reader understand and evaluate the operations and financial status of the Plan.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'D. Williams', followed by a horizontal line.

David M. Williams, Plan Administrator

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sunrise
Police Officers' Retirement Plan
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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**Public Pension Coordinating Council
Public Pension Standards
2006 Award**

Presented to

City of Sunrise Police Officers' Retirement Plan

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script, reading 'Alan H. Winkle', is positioned above the printed name and title.

Alan H. Winkle
Program Administrator

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CITY OF SUNRISE, FLORIDA
POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

September 30, 2006

BOARD OF TRUSTEES

<u>Trustees' Name</u>	<u>Board Position</u>	<u>Method of Selection (1)</u>	<u>City Position</u>
Gerald Eddy	Chairman	Elected	Lieutenant
Robert Dorn	Secretary	Elected	Lieutenant
Charles Vitale	Trustee	Appointed	Lieutenant
Miles Robison	Trustee	Appointed	Detective
Michael West	Trustee	5 th Member	Captain

STAFF

<u>Staff Name</u>	<u>Position</u>
David M. Williams	Plan Administrator
Patricia Ostrander	Recording Secretary

CONSULTANTS⁽²⁾

Attorney	Christensen & Dehner, P.A.
Actuary	Gabriel, Roeder, Smith & Company
Performance Monitor	Thistle Asset Consulting
Custodian	Fiduciary Trust Company International
Investment Manager	Buckhead Capital Management, L.L.C.
Investment Manager	Davis, Hamilton, Jackson & Associates
Investment Manager	Invesco Capital Management, Inc.

- (1) Members are elected /appointed for two-year terms ending March 15 every other year.
- (2) Additional information regarding investment professionals who provide services to the Plan can be found on page 33.

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FINANCIAL SECTION

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Davidson, Jamieson & Cristini, P.L.

Certified Public Accountants

1956 Bayshore Boulevard
Dunedin, Florida 34698-2503
(727)734-5437 or 736-0771
FAX (727) 733-3487

Members of the Firm

John N. Davidson, CPA*, CVA
Harry B. Jamieson, CPA*
Richard A. Cristini, CPA*, CPPT, CGFM
Loraine M. Jones, CPA*

Member

American Institute of
Certified Public Accountants
Florida Institute of
Certified Public Accountants

*Regulated by the
State of Florida

The Board of Trustees

City of Sunrise, Florida Police Officers' Retirement Plan
(a component unit of the City of Sunrise)
Sunrise, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of plan net assets of the City of Sunrise, Florida Police Officers' Retirement Plan (Plan) (a component unit of the City of Sunrise) as of September 30, 2006 and 2005, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the City of Sunrise, Florida Police Officers' Retirement Plan as of September 30, 2006 and 2005, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Board of Trustees

City of Sunrise, Florida Police Officers' Retirement Plan
(a component unit of the City of Sunrise)

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying management's discussion and analysis on pages 3 through 10 and the required supplementary information on pages 27 through 29 of the City of Sunrise Police Officers' Retirement Plan is required by the Governmental Accounting Standards Board Statements No. 34 and 25, respectively, and is not a required part of the basic financial statements. The additional information on page 30 is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such required and additional information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory, investment, actuarial, and statistical sections listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Davidson, Jamaica & Cristini, P.L.

November 14, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Sunrise Police Pension Fund's financial performance provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2006. Please review it in conjunction with the transmittal letter (see page iii - xi) and the Financial Statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

The Plan's net assets increased by \$3.60 million for FYE September 30, 2006.

The required contributions from the City for FYE September 30, 2006 were valued at \$2,292,242. The City is permitted to off-set that cost with the State of Florida excise tax rebate in the sum of 4352,973. Therefore, the City's net contribution after allowing for the excise tax rebate described and a cost sharing mechanism it has with the members was valued at \$1,664,302.

The Plan's net investment income was valued at \$2.8 million for FYE September 30, 2006.

The realized appreciation for FYE September 30, 2006 was valued \$2,010,066. For that same timeframe, the unrealized appreciation was valued at \$(115,188). This resulted in a net increase in appreciation of investments of \$1,894,878.

Normal benefit payments increased by \$532,044 for FYE September 30, 2006 in comparison to FYE September 30, 2005. The number of normal retirements increased from 69 in FYE September 30, 2005, to 79 for FYE September 30, 2006.

PLAN HIGHLIGHTS

As of FYE September 30, 2006, the Plan's assets were diversified with 60.60% in the equity market, 35.4% in fixed income and 4.0% collectively being held in cash by our investment team. The exposure for the equity component of the portfolio continues to be 60%. Within the equity arena, the assets are divided further with 28% of the assets being invested in large cap value oriented positions, 24% in large cap growth positions and 8.5% in small cap value positions. The Board monitors the investment activity on a quarterly basis and actively rebalances the portfolio to maintain compliance with the investment policy. It should be noted that our policy/guidelines may be viewed at <http://sunrisepolicepension.com>.

For the FYE September 30, 2005, the schedule of funding actuarial valuation progress as provided by GASB Statement No. 25 reveals an unfunded actuarial accrued liability of \$18,271,000. This equates to a funding ratio of 70.0% which is down from 84.7% as of FYE September 30, 2004.

USING THE ANNUAL REPORT

The financial statements, which reflect the activities of the Police Officers' Retirement Plan are reported in the Statements of Plan Net Assets (see page 11) and the Statements of Changes in Plan Net Assets (see page 12). These statements are presented on a full accrual basis and reflect all trust activities as incurred.

A discussion of the actual components of this annual report, including the financial statements, is presented in the transmittal letter on page iii.

PLAN NET ASSETS

The table below shows a comparative summary of Plan Net Assets that demonstrates that the pension trust is primarily focused on the cash and investments and the restricted net assets.

TABLE 1
PLAN NET ASSETS

	As of September 30		
	2006	2005	2004
Investments	\$ 47,876,686	\$ 43,776,703	\$ 40,313,057
Receivables	566,408	780,514	536,595
Other	8,500	7,900	7,585
Equipment	2,868	5,139	9,138
Total Plan Assets	48,454,462	44,570,256	40,866,375
Liabilities	727,963	443,921	562,961
Total Liabilities	727,963	443,921	562,961
Plan Net Assets	\$ 47,726,499	\$ 44,126,335	\$ 40,303,414

The net increase of \$3.6 million (or 8.2%), and \$3.82 million (or 9.5%) and \$3.18 million (or 8.5%) in 2006, 2005 and 2004, respectively, reflects a net change in trust activities.

CHANGES IN PLAN NET ASSETS

The following comparative summary of the changes in net assets reflects the activities of the trust.

TABLE 2
CHANGES IN PLAN NET ASSETS

	For the years ended September 30,		
	2006	2005	2004
Additions:			
Contributions:			
Employer	\$ 1,664,302	\$ 1,341,822	\$ 1,252,491
Plan members	1,267,510	1,023,732	1,016,411
Total contributions	2,931,812	2,365,554	2,268,902
State excise tax rebate	512,973	503,294	497,445
Investment income (loss):			
Net appreciation (depreciation) in fair value of investments	1,894,878	2,453,664	1,869,972
Interest and dividends	1,235,520	1,175,498	1,074,159
Commission recapture and other	44,039	26,679	21,556
Investment income (loss)	3,174,437	3,655,841	2,965,687
Less investment expenses	(310,674)	(285,515)	(244,365)
Net investment income	2,863,763	3,370,326	2,721,322
Total additions	6,308,548	6,239,174	5,487,669
Deductions:			
Retirement benefits	2,382,198	2,091,446	2,054,956
Refunds	89,199	151,872	48,270
Administrative expenses	236,987	172,935	198,613
Total deductions	2,708,384	2,416,253	2,301,839
Net increase (decrease)	\$ 3,600,164	\$ 3,822,921	\$ 3,185,830

Contribution rates are established for participants and the City and are impacted by excise tax rebates from the state. The state excise tax collected and remitted is controlled by statute.

The Plan's investment activity, measured as of the end of any quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. There was opportunity for positive returns on investment of a diversified portfolio for this fiscal year as can be seen in the schedule on page 43. The actual returns remained the same at a positive 9.00% return for 2004-2005.

The benefit payments are a function of changing payments to retirees, their beneficiaries (if the retiree is deceased) and new retirements during the period.

PLAN MEMBERSHIP

The following table reflects the Plan membership as of the beginning and ending of the year.

**TABLE 3
CHANGES IN PLAN MEMBERSHIP**

	<u>September 30,</u>			2006-2005	2005-2004
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>Change</u>
Active Participants:					
Vested	58	62	57	(4)	5
Non-vested	96	96	105	-	(9)
Retirees & Beneficiaries	84	74	73	10	1
Terminated Vested	2	1	-	1	1

While the table above reflects changes in active participants, the number of sworn police officers on the City payroll, the following table demonstrates the changes in retirees and beneficiaries.

TABLE 4**CHANGES IN RETIREES & BENEFICIARIES**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Beginning (10/01)	70	69	69
Retirements & Beneficiaries	1	1	-
Death (Expiration) of Retirees & Beneficiaries	-	-	-
Ending (9/30)	<u>71</u>	<u>70</u>	<u>69</u>

This table does not take into consideration the active DROP plan members for FYE September 30, 2006; there were 12 participants.

FUNDING STATUS

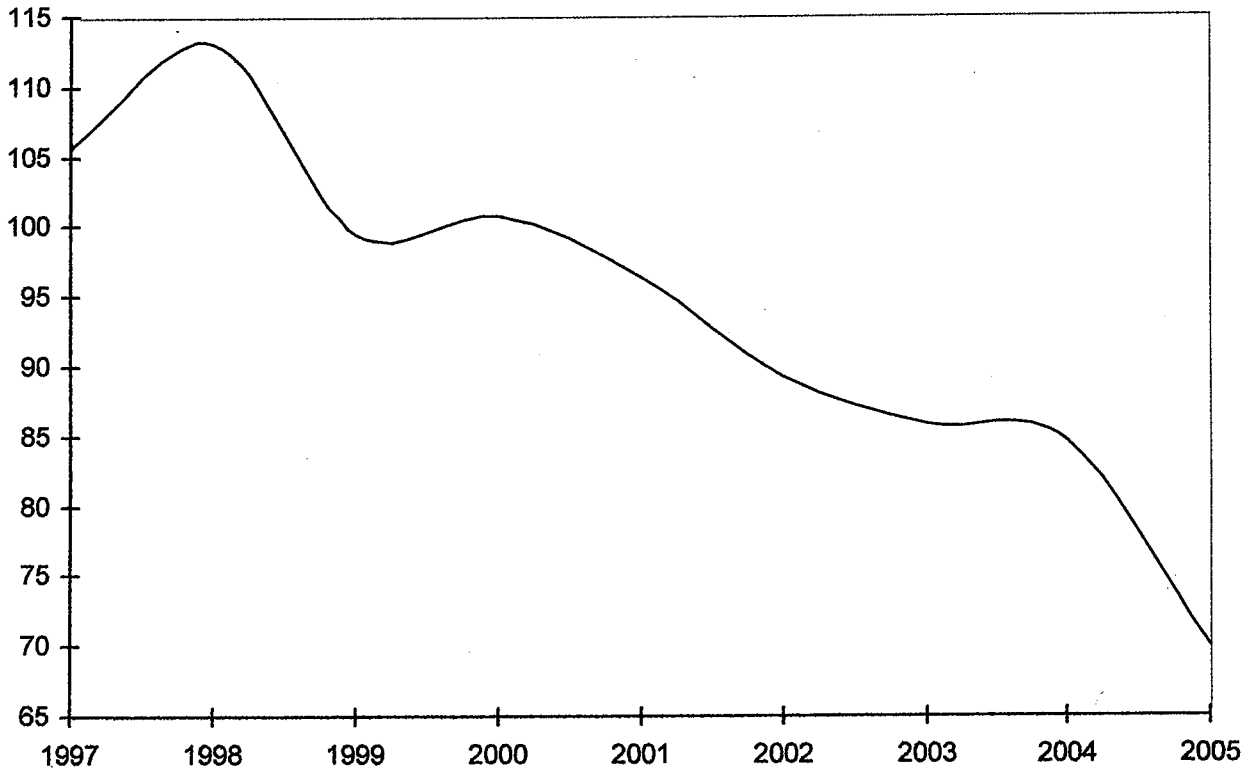
Of primary concern to most pension plan participants is the amount of money available to pay benefits. Historically, pension plans have been under-funded when the employer failed to make annual actuarially required contributions to the Plan. The City has traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary. Therefore, a net pension obligation (NPO) has never existed for the Plan. This is due in large part to implementation of conservative business practices and to the funding requirements established in Florida law.

In 1968, Florida became the first state to constitutionally require local governments to fund pension obligations in a reasonable and systematic manner. Additionally, F.S. Chapter 112 requires local pension plans to be funded based upon actuarial valuations prepared in conformance to industry standards and by enrolled actuaries. To endure this, the State has an actuary on staff. Each actuarial report must be submitted to and accepted by the State. State acceptance must be obtained before the actuarial report and its proposed contribution rate is authorized for use.

An indicator of funding status is the ratio of the actuarial value of the assets to the actuarial accrued liability (AAL). An increase in this percentage over time usually indicates a plan is becoming financially stronger. However, a decrease will not necessarily indicate a plan is in financial decline. Changes in actuarial assumptions can significantly impact the AAL. Performance in the stock and bond markets can have a material impact on the actuarial value of assets.

TABLE 5

SCHEDULE OF FUNDING PROGRESS
FUNDED RATIO
(As of October 1, 2005)



ASSET ALLOCATION

The following table indicates the policy target asset allocation for September 30, 2006, 2005 and 2004.

TABLE 6
ASSET ALLOCATION POLICY
(by %)

	September 30,					
	<u>2006</u>		<u>2005</u>		<u>2004</u>	
<u>EQUITY</u>						
Domestic:	-	60%		60%		60%
Small Cap	8.5%	10	8%	10	8%	10
Large Cap	52.1	50	58	50	54	50
International	-	-	-	-	-	-
<u>BONDS</u>						
Aggregate	39.4	40	34	40	38	40
TOTAL	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

All international holdings were liquidated during the fiscal year ended September 30, 2004 in favor of investment in small cap stocks.

INVESTMENT ACTIVITIES

Investment income is vital to the Plan's current and continued financial stability. Therefore, Trustees have a fiduciary responsibility to act prudently and discretely when making Plan investment decisions. To assist the Board in this area, a comprehensive formal investment policy is updated periodically. As managers and asset classes have been added, specific detailed investment guidelines have been developed, adopted, and included as an addendum to each manager's Investment Advisory Agreement. The Investment Policy Statement was amended in May 4, 2006 to incorporate changes or clearly address statutory requirements adopted by the Florida State Legislature and provide for the investment in small cap stock. The Policy generally follows Employee Retirement Income Security Act (ERISA) private sector diversification guidelines and is periodically reviewed, modified (if necessary) and ratified. Significant and atypical limitations (although recently reduced) are placed on the Board's investment authority by F.S. Chapter 185.

As noted prior, portfolio performance is reviewed quarterly by the Board and its Performance Monitor. Performance is evaluated individually by money manager style, collectively by investment type and for the aggregate portfolio. Investment types include both domestic and fixed income securities.

The total fund investment performance for fiscal year 2006 yielded a net return of 6.57%, which was below the long-term net 8.5% actuarial return assumption target for the year. On a three-year and five-year basis, the average return of 7.47% and 5.64%, respectively, and under performed compared to the benchmarks. The lower return is viewed, at this time, to be cyclical and the 8.5% assumption is still deemed reasonable in the long-term. In the long-term, our plan experienced an average compounded rate of return of 9.6% dating back to 1978. With this stated, the actuarial assumptions are still monitored annually.

A schedule reflecting five individual years, three year and five year average performance (with comparable indexes) is available on page 44.

ECONOMIC FACTORS

The primary function of the pension trust is to (a) appropriately award and pay benefits and (b) manage investments. The opportunity available considering various investment choices is invaluable in the asset allocation and money manager oversight. The table on page 43 indicates that alternative index returns are reflective of the market environment available.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, plan participants and the marketplace's credit analysis with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or need additional information, please contact the Board's Plan Administrator, 13790 NW 4th Street, Suite 105, Sunrise, Florida 33325.

BASIC FINANCIAL STATEMENTS

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CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

(a component unit of the City of Sunrise, Florida)

STATEMENTS OF PLAN NET ASSETS

September 30, 2006 and 2005

	<u>Assets</u>	
	<u>2006</u>	<u>2005</u>
Receivables:		
Plan members	\$ 36,129	\$ 31,383
Employer	-	-
State Excise Tax Rebate	-	503,294
Interest	195,491	112,275
Dividends	23,004	23,913
Broker-dealers	311,674	109,539
Other	110	110
Total receivables	566,408	780,514
Prepaid insurance	8,500	7,900
Investments at fair value:		
U.S. Government securities	4,429,291	3,374,661
U.S. Government agencies	10,595,510	6,996,935
Corporate bonds	1,679,923	2,520,319
Domestic stocks	28,948,989	28,851,331
Temporary investment funds	2,222,973	2,033,457
Total investments	47,876,686	43,776,703
Equipment, at cost, net of accumulated depreciation of \$22,839 and \$20,568 as of September 30, 2006 and 2005, respectively	2,868	5,139
Total assets	48,454,462	44,570,256
	<u>Liabilities</u>	
Accounts payable	85,706	69,372
Accounts payable, broker-dealers	642,257	374,549
Total liabilities	727,963	443,921
Plan net assets held in trust for Pension benefits (A schedule of funding progress for this Plan is presented on page 27)	\$ 47,726,499	\$ 44,126,335

See Notes to Financial Statements.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

STATEMENTS OF CHANGES IN PLAN NET ASSETS
Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Additions:		
Contributions:		
Employer	\$ 1,664,302	\$ 1,341,822
Plan members	1,240,222	1,023,732
Plan members' buy-back	<u>27,288</u>	<u>-</u>
Total contributions	2,931,812	2,365,554
Intergovernmental revenue:		
State excise tax rebate	512,973	503,294
Investment income (loss):		
Net appreciation in fair value of investments	1,894,878	2,453,664
Interest	756,809	635,064
Dividends	478,711	540,434
Commission recapture	28,321	21,017
Other	<u>15,718</u>	<u>5,662</u>
Investment income	3,174,437	3,655,841
Less investment expenses	<u>310,674</u>	<u>285,515</u>
Net investment income	2,863,763	3,370,326
Total additions	6,308,548	6,239,174
Deductions:		
Benefits:		
Age and service	2,039,846	1,940,220
Disability	153,608	151,226
DROP	188,744	-
Refunds of contributions	89,199	151,872
Administrative expenses	<u>236,987</u>	<u>172,935</u>
Total deductions	2,708,384	2,416,253
Net increase (decrease)	3,600,164	3,822,921
Plan net assets held in trust for pension benefits:		
Beginning of year	<u>44,126,335</u>	<u>40,303,414</u>
End of year	<u>\$ 47,726,499</u>	<u>\$ 44,126,335</u>

See Notes to Financial Statements.

NOTES TO
FINANCIAL STATEMENTS

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CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

1. Description of Plan

The following brief description of the City of Sunrise Police Officers' Retirement Plan (Plan) is provided for general information purposes only. Participants should refer to the Plan Ordinance for more complete information.

General - The Plan is a single employer defined benefit pension plan covering all full-time sworn police officers of the City of Sunrise, Florida (City). Participation in the Plan is required as a condition of employment. Originally established in 1972 and amended in 1989, 1990, 2001, 2002, 2005 and 2006 the Plan provides for pension, death and disability benefits. The Plan is subject to provisions of Chapter 185 of the State of Florida Statutes.

The Plan, in accordance with the above statute, is governed by a five member pension board. Two police officers who are elected by a majority of the members of the Plan, two are current members of the Plan or former Police employees who are vested in the Plan and are appointed by the City and a fifth member elected by the other four members constitute the pension board. The City and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The City is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

At September 30, 2006, the Plan's membership consisted of:

Retirees and beneficiaries:

Currently receiving benefits	67
DROP retirees	12
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u>80</u>

Current employees:

Vested	62
Nonvested	<u>96</u>
Total	<u>158</u>

At September 30, 2005, the date of the most recent actuarial valuation, there were 70 retirees and beneficiaries receiving benefits.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

1. Description of Plan (Continued)

Pension Benefits - Under the Plan, participants with 10 or more years of continuous service are entitled to annual pension benefits beginning at normal retirement age (53) or before age 53 if they have completed 20 continuous years of service. Benefits are equal to 3% of the participants average final compensation for each of the first 10 years of service and 2% of average final compensation for each year of credited service thereafter up to a maximum of 80% of the average final compensation. Current normal retirement benefits were 4% of the participant's average final compensation for each of the first 10 years of service and 2% of average final compensation for each year of credited service thereafter provided however, in no event if a participant is employed after January 1, 1980 shall the monthly benefit exceed 100% of average final compensation. These current normal benefits would still be available to active participants employed prior to October 1, 2003, if greater. Average final compensation is the participant's average salary of the three (3) best contributing years. A participant's monthly retirement benefit ceases at death (Single Life Annuity). A participant who terminates prior to 10 continuous years of service forfeits the right to receive all benefits he/she has accumulated. However, he/she retains the right of refund of all personal contributions made to the Plan. An additional benefit of \$16.25 per year of service per month, up to a maximum of \$325 per month, shall be paid to all retirees who retired after October 1, 2000 through age 65. This payment is reduced to \$10.00 per year of credited service up to a maximum of \$200 per month after age 65 and is payable for 20 years.

The Plan also has a cost of living adjustment of 2% per year starting 5 years after retirement or entry into the DROP

A participant with 10 or more years of credited service is eligible for early retirement. These benefits begin upon application on or after reaching age 47 and are computed the same as normal retirement, based upon the participant's final average salary and credited service at the date of termination. Such benefits will be reduced by 3% for each year by which the participant's age at retirement precedes the age of 53.

Deferred Retirement Option Plan - Any Plan participant who is eligible to receive a normal retirement pension may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a police officer. Upon participation in the DROP, the participant 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 participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. Participation in the DROP ceases for a Plan participant after the earlier of 5 years or the attainment of his/her earliest normal retirement date. Participants who enter the DROP within 60 months after attainment of their normal retirement date may participate in the DROP for 60 months. There were twelve participants in the DROP as of September 30, 2006.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

1. Description of Plan (Continued)

Supplemental Pension Distributions - Any participant of the Police Officers' Retirement Plan who terminates employment with immediate eligibility for early or normal retirement benefits or enters the DROP on or after August 14, 2001 is eligible for a 13th check. Participants in the DROP are not eligible for a 14th check. Participants who retire after December 14, 2004 are not eligible for a 13th or 14th check.

The amount of the 13th check is determined in November and is paid on or before December 15 each year based on the cumulative net actuarial gain for the plan as identified in the most recent actuarial report. The amount of the 13th check shall not exceed 100% of a participant's monthly retirement benefit.

In the event that the cumulative net actuarial gain exceeds the amount distributed by the 13th check and the City's required contribution to the Plan a 14th check will be distributed during the following year.

Death Benefits - For any deceased employee who had been an actively employed participant eligible for early, normal or delayed retirement, the benefit payable shall be at least equal to the annuity of ten years calculated as of the date of death. Benefits payable under service-connected death for participants ineligible for early retirement shall be payable to the designated beneficiary at the rate of 100%, 75%, 66⅔% or 50% of the participant's regular monthly retirement benefit per month until death.

Disability Benefits - Benefits payable to participants under service-incurred disability shall be monthly installments of 75% of participant's regular monthly base salary in effect at the date of disability. The benefit shall be paid from the date of disability until recovery or death of the participant. Should a participant become disabled due to a nonservice-incurred cause, benefits of a minimum of 25% of the participant's average final compensation shall be paid monthly from the date of the disability until recovery or death. This non-service connected benefit is only available to participants with ten years or more of creditable service.

Notwithstanding the foregoing, the benefits for service connected disabilities cannot be reduced below the greater of the participant's accrued benefit or 75% of average final compensation.

Refund and Compulsory Contributions - Nonvested participants, upon termination, may request return of their compulsory contributions or leave them on deposit with the Plan for not more than five years. The Plan does not pay any interest on compulsory account balances or contributions returned.

Covered officers are required to contribute 10.84% and 9.29% of their salary to the Plan for the years ended September 30, 2006 and 2005, respectively. If an officer retires, dies, becomes disabled, or terminates employment with the City, accumulated contributions are refunded to the officer or his/her designated beneficiary.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

2. Summary of Significant Accounting Policies

Basis of Accounting - Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Plan member contributions are recognized in the period in which the contributions are due. City contributions to the plan, as calculated by the Plan's actuary, are recognized as revenue when due and the City has 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.

Basis of Presentation - The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer. The accompanying financial statements include solely the accounts of the Plan which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service, disability and death benefits required under the terms of the Plan and the amendments thereto.

Valuation of Investments - Investments in common stock and bonds traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the past reported bid and asked prices; investments in securities not having an established market value are valued at fair value as determined by the Board of Trustees. The fair value of an investment is the amount that the Plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. Purchase and sales of investments are recorded on a trade date basis.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the Statement of Changes in Plan Net Assets.

Custody of Assets - Custodial and certain investment services are provided to the Plan under contracts with a custodian having trust powers in the State of Florida. The Plan's investment policies are governed by Florida State Statutes and ordinances of the City of Sunrise, Florida.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

2. Summary of Significant Accounting Policies (Continued)

Authorized Plan Investments - The Board recognizes that the obligations of the Plan are long-term and that its investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the prudent investor rule and Chapter 185 of the Florida Statutes.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, high capitalization common or preferred stocks, small capitalization common stocks, pooled equity funds, high quality bonds or notes and fixed income funds. In addition, the Board requires that Plan assets be invested within a range of no more than 70% in stocks and fixed income securities measured at market.

In addition, the Plan limits investment in common stock (equity investments) as follows:

- a. No more than five percent of the Plan's assets may be invested in the common or capital stock of any single corporation.
- b. The Plan's investment in the common stock of any single corporation shall not exceed five percent of such corporation's outstanding common or capital stock.

Further information regarding the permissible investments for the Plan can be found in the Plan's Statement of Investment Policy.

Funding Policy - Participants are required to contribute 10.84% of their annual earnings to the Plan through September 30, 2006 and 14.29% beginning October 1, 2006. Prior to January 1, 1990, contributions to the System were made on an after-tax basis. Subsequent to this date, contributions are made on a pre-tax basis pursuant to an amendment to the Plan. These contributions are designated as employee contributions under Section 414(h)(2) of the Internal Revenue Code. Contribution requirements of the Plan's participants are established and may be amended by the City of Sunrise, Florida.

A rehired member returning to work in ninety days from termination may buy back past service by paying into the Plan the amount of contributions that the participant would otherwise have paid for such continuous past service, plus the interest that would have been earned had such funds been invested by the Plan during that time.

A rehired member returning to work more than ninety days from termination may buy back past service by paying into the Plan the actuarially calculated amount of contributions that the participant would otherwise have paid for such continuous past service.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

2. Summary of Significant Accounting Policies (Continued)

The City's funding policy is to make actuarially computed contributions to the Plan in amounts, such that when combined with participants' contributions and the State insurance excise tax rebate, all participants' benefits will be fully provided for by the time that they retire. If the actuarially calculated City contribution exceeds 10% of the budgeted payroll, the participants and the City will equally fund the excess required contribution.

The City's actuarially determined contribution rate for the year ended September 30, 2006 and 2005 was 14.69% and 12.64%, respectively. This rate consists of 13.36% and 9.88% of member salaries to pay normal costs plus 1.33% and 2.76% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2005 and 2004 actuarial valuations, respectively.

Administrative Costs - All administrative costs of the Plan are financed through investment earnings and charges against the DROP accounts and supplemental distributions. The Plan has no undue investment concentrations.

Cash - The Plan considers broker-dealer deposits as cash. Temporary investments shown on the balance sheet are composed of investments in short-term custodial and broker-dealer proprietary money market funds.

Federal Income Taxes - The Plan has not applied for a favorable determination letter from the Internal Revenue Service indicating that the Plan is qualified and exempt from Federal income taxes. The Board believes that the Plan is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

Actuarial Cost Method - Under the Frozen Entry Age Actuarial Cost method the present value of benefits for each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the participant between the age of entry into the plan and expected retirement.

Reporting Entity - Governmental Accounting Standards Board Statement No. 14 requires that this financial statement present the City of Sunrise Police Officers' Retirement Plan (the component unit) and disclose its primary government, the City of Sunrise, Florida. Component units generally are legally separate entities for which a primary government is financially accountable. In addition the primary government is able to impose its will upon the component unit, or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The Plan has determined that as a legally established pension plan under Chapter 185 of the Florida Statutes it is a component unit of the City of Sunrise, Florida.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

2. Summary of Significant Accounting Policies (Continued)

Equipment - Equipment is recorded at cost; depreciation is recorded on the straight-line method over a ten year estimated useful life.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restatement - Certain figures for the year ended September 30, 2005 have been restated to conform to the financial statement presentation for the year ended September 30, 2006.

3. Deposits and Investments

Deposits

Fiduciary Trust Company International ("Fiduciary Trust") periodically holds uninvested cash in its capacity as custodian for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

Investments

The Plan's investments are segregated into three separate accounts and managed under separate investment agreements with INVESCO, Davis Hamilton Jackson and Associates and Buckhead Capital Management. These accounts give Fiduciary Trust International of the South (FTIOS) the custodianship, but give INVESCO, Davis Hamilton Jackson and Associates and Buckhead Capital Management the authority to manage the investments. These assets are invested in accordance with the specific guidelines as set forth in the Plan's Statement of Investment Policy. Investment management and custodial fees are calculated quarterly as a percentage of the fair market value of the Plan's assets managed.

The Plan's investments are uninsured and unregistered and are held in the custodian's accounts in the Plan's name.

The Plan held no individual investments that individually represented 5% or more of the Plan's net assets available for benefits during the year ended September 30, 2006.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

3. Deposits and Investments (Continued)

Investments (Continued)

The Plan held the following fixed income investments as of September 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u> Lehman Aggregate Bond	<u>Effective Duration (Years)</u>
U.S. Government securities	\$ 4,429,291	AAA	8.10
U.S. Government agencies	10,595,510	AAA	2.41
Corporate bonds	1,679,923	A-AAA	4.22
Temporary investment funds	<u>2,223,083</u>	Not Rated	0.00
Total investments	<u>\$ 18,927,807</u>		

Interest Rate Risk - Through its investment policies the Plan manages its exposure to fair value losses arising from increasing interest rates. The fund limits the effective duration of its investment portfolio through the adoption of the Lehman Brothers Aggregate Bond Index bench mark for Invesco Fixed Income and the Lehman Brothers Government/Credit Intermediate Index for Davis, Hamilton, Jackson Fixed Income.

Credit Risk - Consistent with state law the Plan's investment guidelines limit its fixed income investments to the following rating criteria:

1. All corporate debt issues (bonds, notes, and debentures) shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's or Standard and Poor's.

Any issue, if downgraded to the (4th) category) by one of the ratings services must be sold within a reasonable period of time not to exceed twelve (12) months. Fixed income investments that are downgraded below the (4th) category shall be liquidated immediately.

- 2) Temporary investments: Moody's P1 of Standard and Poor's A1.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

4. Net Increase (Decrease) in Realized and Unrealized Appreciation (Depreciation) of Investments

The Plan's investments appreciated (depreciated) in value during the years ended September 30, 2006 and 2005 as follows:

	2006		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:			
U.S. Government securities	\$ (84,307)	\$ 70,819	\$ (13,488)
U.S. Government agencies	(136,051)	68,697	(67,354)
Corporate bonds	(7,873)	13,924	6,051
Domestic stocks	2,238,297	(268,628)	1,969,669
Net increase in realized and unrealized appreciation (depreciation) of investments	<u>\$ 2,010,066</u>	<u>\$ (115,188)</u>	<u>\$ 1,894,878</u>
	2005		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:			
U.S. Government securities	\$ 43,921	\$ (49,622)	\$ (5,701)
U.S. Government agencies	(60,812)	(73,113)	(133,925)
Corporate bonds	3,275	(120,221)	(116,946)
Domestic stocks	1,977,139	733,097	2,710,236
Net increase in realized and unrealized appreciation (depreciation) of investments	<u>\$ 1,963,523</u>	<u>\$ 490,141</u>	<u>\$ 2,453,664</u>

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

4. Net Increase (Decrease) in Realized and Unrealized Appreciation (Depreciation) of Investments (Continued)

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments.

Unrealized gains and losses on investments sold in 2006 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

5. Investments

The Plan's investments at both carrying value and cost or adjusted cost as of September 30, 2006 and 2005 are summarized as follows:

<u>Investment</u>	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Government securities	\$ 4,388,095	\$ 4,429,291	\$ 3,404,284	\$ 3,374,661
U.S. Government agencies	10,563,531	10,595,510	7,033,653	6,996,935
Corporate bonds	1,678,091	1,679,923	2,532,411	2,520,319
Domestic stocks	26,306,722	28,948,989	25,940,436	28,851,331
Temporary investments	2,222,973	2,222,973	2,033,457	2,033,457
Total	<u>\$ 45,159,412</u>	<u>\$ 47,876,686</u>	<u>\$ 40,944,241</u>	<u>\$ 43,776,703</u>

6. Commission Recapture

The Plan has entered commission recapture agreements with certain commission rebate broker-dealers. Terms of these agreements provide that the Plan agrees to direct its investment managers to effect certain trades through these broker-dealers consistent with best execution. These broker-dealers agree to refund an agreed upon percentage of the total of such brokerage commissions to the Plan. Commission recapture revenues for the years ended September 30, 2006 and 2005 was \$28,321 and \$21,017, respectively.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

7. Designations

A portion of the plan net assets will be designated for benefits that accrue in relation to the DROP accounts as further described in Note 1. Allocations to the DROP plan accounts for the years ended September 30, 2006 and 2005 are presented below as determined and reported by the Plan's actuary.

	<u>2006</u>	<u>2005</u>
Designated plan net assets for DROP accounts (fully funded)	\$ 1,098,132	\$ 795,465
Undesignated plan net assets	<u>46,628,367</u>	<u>43,330,870</u>
Total plan net assets	<u>\$ 47,726,499</u>	<u>\$ 44,126,335</u>

8. Plan Amendments

A summary of the Plan amendments adopted during the fiscal year ended September 30, 2006 is presented below:

- A) Change the multiplier to 3% for the first ten years of service, 4% for the next ten years of service and 2% for each year thereafter up to a maximum of 80% of the average final compensation. Current normal retirement benefits would still be available to active participants employed prior to October 1, 2003 if greater.
- B) Participants who enter the DROP within 60 months after attainment of normal retirement date may participate in the DROP for 60 months.
- C) Change the supplemental benefit to \$16.25 per year of service with a maximum of 20 years to age 65 and \$10.00 per year of service with a maximum of 20 years thereafter.
- D) Add a cost of living adjustment of 2.0% per year starting 5 years after retirement or entry into the DROP.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

8. Plan Amendments (Continued)

The cost increase for the above changes for the fiscal year beginning October 1, 2006 based on the actuarial impact statement dated November 29, 2005 will be as follows:

- A) The cost increase to the City will be \$733,045 or 6.47% of covered payroll and
- B) The participant contribution will increase from 10.84% to 13.31% of pay.

During the fiscal year ended September 30, 2005 the Plan was amended as follows:

- A) Add a service connected deaths benefit to the participant's spouse equal to the greater of 75% of final average compensation or the accrued pension.
- B) Change the normal form of benefit from a life annuity to ten years certain and life annuity.
- C) Remove the 50% of average final compensation cap from the non-service incurred disability benefit.
- D) Increase the current participant contribution rate of 7.15% by 1.0% per year starting October 1, 2004 until it equals 10.15% of pay.
- E) Increase the current employer contribution threshold rate of 10.0% by 1.5% per year starting October 1, 2004 until it equals 14.5% of payroll.
- F) The 13th and 14th checks provision will not apply to any participant who retires after December 14, 2004.
 - 1) The first \$10,000 of income is exempt from the disability offsets.
 - 2) Active members with at least ten years of service may purchase up to four years of prior military service or prior service as a police officer with another government entity by paying into the Plan the full actuarial cost of such service.

The annual actuarial cost of these changes will be covered by the funds available from the Florida Excise Tax Rebate. Starting October 1, 2004 based on the actuarial impact statement at that date, the contribution rates will decrease from 13.78% to 12.64% for the City and from 10.93% to 9.29% for participants.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

9. Mortgage-Backed Securities

The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

All of the Plan's financial investments are carried at fair value on the Statement of Plan Net Assets included in investments. The gain or loss on financial instruments is recognized and recorded on the Statement of Changes in Plan Net Assets as part of investment income.

10. Plan Termination

Although it has not expressed an intention to do so, the City may terminate the Plan at any time by a written ordinance of the City Commission of Sunrise, duly certified by an official of the City. In the event that the Plan is terminated or contributions to the Plan are permanently discontinued, the benefits of each police officer in the Plan at such termination date would be non-forfeitable. The order of benefit distribution would be as follows:

- A Benefits to retired or disabled police officers under the early, normal or delayed retirement or disability provisions of the Plan.
- B Benefits to vested police officers (including former members entitled to deferred benefits) under the early, normal or delayed retirement provisions of the Plan.
- C Benefits attributable to police officers' contributions.
- D Benefits to nonvested police officers under normal retirement provisions of the Plan.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

11. Commitments

As described in Note 1, certain members of the Plan are entitled to refunds of their accumulated contributions, without interest, upon termination of employment with the City prior to being eligible for pension benefits. At September 30, 2006, aggregate contributions from active members of the Plan were approximately \$7,482,000. The portion of these contributions which are refundable to participants who may terminate with less than ten years of service has not been determined.

12. Lease Agreement

The Plan entered noncancelable operating lease agreements on certain equipment and its office facilities during the year ended September 30, 2006. The lease terms cover the period from April 1, 2005 through May 21, 2011. Future minimum annual maturities under this lease agreements are summarized as follows:

Year Ended <u>September 30</u>	
2007	\$19,091
2008	19,781
2009	20,501
2010	11,375
2011	1,883

Office rent expense, which includes additional maintenance costs, for the years ended September 30, 2006 and 2005 was \$25,988 and \$24,951, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

(a component unit of the City of Sunrise, Florida)

SCHEDULE OF FUNDING PROGRESS

September 30, 1997 through September 30, 2005

Actuarial Valuation Date September 30	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio a/b	Covered Payroll (c)	UAAL as Percentage of Covered Payroll (b-a)/(c)
1997	\$ 27,830	\$ 26,336	\$ (1,494)	105.7%	\$ 7,170	(20.8)%
1998	31,671	28,002	(3,669)	113.1	7,838	(46.8)
1999	35,269	35,448	179	99.5	7,357	2.4
2000	37,513	37,216	(297)	100.8	7,771	(3.8)
2001	40,151	41,667	1,516	96.4	9,295	16.3
2002	39,138	43,861	4,723	89.2	9,383	50.3
2003	40,191	46,794	6,603	85.9	10,210	64.7
2004	41,494	49,002	7,508	84.7	10,894	68.9
2005	42,541	60,812	18,271	70.0	11,323	161.4

Dollar amounts are in thousands.

Analysis of the dollar of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the system's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
(a component unit of the City of Sunrise, Florida)

SCHEDULE OF CONTRIBUTIONS FROM THE CITY
September 30, 1997 through September 30, 2006

Year Ended <u>September 30</u>	<u>City</u>	
	<u>Annual Required Contribution</u>	<u>Actual Percentage Contributed</u>
1997	\$ 343,282	100.0%
1998	413,775	100.0
1999	277,685	100.0
2000	735,149	100.0
2001	652,379	100.0
2002	700,913	100.0
2003	1,019,184	100.0
2004	1,252,491	100.0
2005	1,341,822	100.0
2006	1,664,302	100.0

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

(a component unit of the City of Sunrise, Florida)

NOTES TO THE ADDITIONAL SCHEDULES

September 30, 1997 through September 30, 2006

The information presented in the required supplementary schedules on pages 18 and 19 was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2005
Actuarial cost method	Frozen entry age
Amortization method	Level percent
Remaining amortization period	30 years, closed
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.2% to 8.5% depending on age
Inflation and other general increases	4%
Cost-of-living adjustments	2% after 5 years of retirement
Mortality	1983 Group Annuity Mortality Table for males and females

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ADDITIONAL INFORMATION

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CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

(a component unit of the City of Sunrise, Florida)

SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES

Years ended September 30, 2006 and 2005

Administrative and investment expenses for the years ended September 30, 2006 and 2005 are summarized as follows:

	2006		2005	
	Expenses		Expenses	
	Administrative	Investment	Administrative	Investment
Actuary	\$ 52,536	\$ -	\$ 21,332	\$ -
Administrator	47,349	-	41,781	-
Audit	11,325	-	10,600	-
Custodial fees	-	27,118	-	26,885
Depreciation expense	2,271	-	3,999	-
Dues and subscriptions	1,465	-	1,725	-
Education and training*	47,822	-	22,217	-
Electric	996	-	992	-
Insurance	13,411	-	12,635	-
Investment manager fees	-	245,031	-	226,965
Legal	10,137	-	10,470	-
Office rent	24,537	-	24,951	-
Office supplies and expense	7,032	-	5,748	-
Performance monitor	-	38,525	-	31,665
Postage	4,576	-	1,467	-
Printing and stationery	1,328	-	822	-
Repairs and maintenance	1,451	-	769	-
Secretarial	8,100	-	9,108	-
Telephone	2,651	-	4,319	-
TOTALS	\$ 236,987	\$ 310,674	\$ 172,935	\$ 285,515
 Percent of Net Assets	 <u>0.49%</u>	 <u>0.65%</u>	 <u>0.39%</u>	 <u>0.65%</u>

* It is the Board's policy to pay education and training costs with earnings from the Plan's commission recapture program. Commission recapture revenue for the years ended September 30, 2006 and 2005 was \$28,321 and \$21,017, respectively.

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INVESTMENT SECTION

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Thistle Asset Consulting

March 12, 2007

Robert J. Dorn, Chairman
City of Sunrise, Florida, Police Officers'
Retirement System
13790 NW 4th Street, Suite 105
Sunrise, Florida 33325

Dear Chairman Dorn:

Thistle Asset Consulting, Inc., serves as the pension consultant for the Police Officers Retirement Fund and provides ongoing performance measurement relating to the individual investment managers, each asset class component of the investment portfolio, and for the investment portfolio as a whole. The Board strives to achieve a market rate of return as measured against appropriate benchmarks/indexes, while limiting risk to an acceptable level. Thistle Asset Consulting recommends replacement of individual managers mainly when situations arise related to individual performance, unacceptable changes to the investment management firms' organizational structure and/or the managers' substantive deviation from the investment style for which they were hired.

As the schedule shows on page (42), the portfolio is diversified by investment type, as well as by sector and manager style. This diversification serves to reduce risk that could result from concentration in single investment categories. As of September 30, 2006, the target allocation is 50% US Large Capitalization Equities, 40% Bonds, and 10% Small Capitalization Equities.

Performance is measured and reviewed on a quarterly basis and accumulated for trailing annual periods, as well as for trailing three and five year periods. Risk-adjusted performance is also measured and reviewed. This approach provides the Board with adequate detail to measure results and determine whether goals/benchmarks are being achieved. The performance measurement is in conformance with the CFA Institute's Performance Presentation Standards; the return is solely that of the Plan and not that of a composite. In addition, the performance method is based on monthly linking and when appropriate, intra-month linking, i.e. time-weighted.

The schedule on page (43) of this report represents the pension fund performance for each of the past five calendar years and the annualized returns for one, three and five-year

Thistle Asset Consulting

periods. The performance for the total fund for the year ended September 30, 2006 was 1.71% below that of the composite benchmark and 0.87% below that of the composite universe median. Annualized total fund performance for the trailing three-year period was 1.88% below the composite benchmark and 1.87% below the composite universe median. Trailing five-year performance was 1.26% below the composite benchmark and 0.88% below the composite universe median.

The overall results have been below average for the 5-year period and the longer periods of time. Changes have been made to the portfolio, new managers have been brought on-board and changes made to the allocation of the existing managers. This will be reported in next year's letter.

Sincerely,



John McCann, CIMA
President

CITY OF SUNRISE, FLORIDA
POLICE OFFICERS' RETIREMENT PLAN

INVESTMENT POLICY

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SUNRISE POLICE OFFICERS' PENSION FUND

INVESTMENT POLICY ADOPTED FEBRUARY 3, 2005

Name of Plan: Sunrise Police Officers' Pension Fund

Plan Sponsor: Sunrise, Florida

Current Board of Trustees:

Police Department

Gerald E. Eddy, Jr., Chairman
Robert J. Dorn, Secretary
Robert Misiti

City Appointees

Miles H. Robinson, III
Charles Vitale

Pension Fund Administrator: Dave Williams

Custodian: Fiduciary Trust International

Money Managers: Davis, Hamilton, Jackson & Assoc. (Growth Equity & Fixed Income)
Invesco (Fixed Income)
Buckhead Capital Management (Large Cap Value Equity)
Buckhead Capital Management (Small Cap Value Equity)

Investment Consultant: GRS Asset Consulting Group

Actuary: Gabriel, Roeder, Smith & Company

Accountant: Davidson, Jamieson & Cristini, P.L.

Legal Counsel: Christiansen & Dehner

Actuarial Assumption: 8.5%

(1) SCOPE

The investment Policy shall apply to all funds under control of the Board. Detailed guidelines are attached to and made a part of this Investment Policy Statement.

(2) INVESTMENT OBJECTIVES

1. To obtain a reasonable total rate of return - defined as income plus realized and unrealized capital gains and losses - commensurate with the Prudent Investor Rule.
2. To obtain reasonable consistency of returns on a year-to-year basis, with concern for loss of capital being paramount.
3. To have the ability to pay all benefit and expense obligations when due.
4. To maintain sufficient funding for (a) unexpected developments, (b) possible future increases in benefits and/or (c) reduction in expected returns on investment or interest rate assumptions.

(3) PERFORMANCE MEASUREMENT

The Board has specified performance measures as are appropriate for the nature and size of the assets within the Board's custody. Those performance measures are set forth in the Internal Controls section of this Investment Policy.

(4) INVESTMENT AND FIDUCIARY STANDARDS

In performing its investment duties, the Board shall comply with the fiduciary standards set forth in the Employees Retirement Income Security Act of 1974, 29 U.S.C. § 1104(a)(1)(A) - (C), meaning that Board members must discharge their duties with respect to the Plan solely in the interest of participants and beneficiaries and for the exclusive purpose of: (a) providing benefits to participants and their beneficiaries and (b) defraying reasonable expenses of administering the Plan; with the care, skill, prudence and diligence under circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; by diversifying investments of the plan so as to minimize risk of large losses, unless under the circumstances it is clearly prudent not to do so. In the event of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

(5) AUTHORIZED INVESTMENTS

The attached Investment Guidelines list investments authorized by the Board. Investments not so listed are prohibited.

(6) MATURITY AND LIQUIDITY REQUIREMENTS

The investment portfolio is structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the Board has attempted to match investment maturities with known cash needs and anticipated cash-flow requirements.

(7) PORTFOLIO COMPOSITION

The Investment Guidelines establish parameters for investments and limits on security issues, issuers and maturities. Said Guidelines are commensurate with the nature and size of the funds within control of the Board. The Board believes that the Plan's risk and liquidity posture are, in large part, a function of asset class mix. The Board has reviewed long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior.

(8) RISK AND DIVERSIFICATION

The Investment Guidelines provide for appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over concentration in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold. The Board recognizes the difficulty of achieving the Plan's investment objectives in light of uncertainties and complexities of contemporary investment markets. The Board also recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's strong financial condition enables the Board to adopt a long-term investment perspective.

(9) EXPECTED ANNUAL RATE OF RETURN

The desired investment objective is a long-term rate of return on assets, net of investment expenses, that is at least equal to the actuarial assumption and which is five percent greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI). The target rate of return is for the current year, for each of the next several years and for the long-term thereafter. The target rate of return has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the Investment Guidelines. Because market performance varies and a fixed percent return may not be meaningful during some periods, the Board has established performance benchmarks for Managers, as set forth in the Internal Controls section of this Investment Policy. Over a complete business cycle, the Plan's overall annualized total return, after deducting investment and transaction costs, should perform above the median of an appropriate universe and above a customized index composed of various indices weighted by the strategic asset allocation of the Plan's assets.

(10) THIRD-PARTY CUSTODIAL AGREEMENTS

All assets shall be held by a third party. All securities purchased by and all collateral obtained by the Board shall be properly designated as an asset of the Plan. No withdrawals of assets, in whole or in part, shall be made except upon authorization by the Board. Securities transactions between a broker-dealer and the Custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis to ensure that the Custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

(11) MASTER REPURCHASE AGREEMENT

All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to requirements of the Master Repurchase Agreement. This provision does not restrict or limit the terms of any such Master Repurchase Agreement.

(12) BID REQUIREMENT

The Board shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law the most economically advantageous bid must be selected.

(13) INTERNAL CONTROLS

The attached system of internal controls and operational procedures has been adopted by the Board and shall be reviewed by its independent certified public accountants as part of any financial audit of the Plan.

In addition, the Board has adopted the following internal controls with reference to selection and review of Money Managers:

- A. Selection of Money Managers. The Board, with assistance from the investment Consultant, has selected and will select, appropriate Money Managers to manage Plan assets. Managers must meet the following minimum criteria:
1. Be a bank, insurance company, investment management company or investment adviser, as defined by the Investment Advisers Act of 1940.
 2. Provide historical quarterly performance numbers, calculated on a time-weighted basis, based on a composite of fully discretionary accounts of similar investment style, reported net and gross of fees.
 3. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel.
 4. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

B. Duties and Resonsibilities of Money Managers. The duties and responsibilities of each Money Manager retained by the Board include:

1. Managing Plan assets under its care, custody and/or control in accordance with this Investment Policy or in accordance with separate written agreements when modification is deemed prudent and desirable by the Board.
2. Exercising investment discretion (including holding cash equivalents as an alternative) within the objectives and guidelines set forth in this Investment Policy.
3. Promptly informing the Board in writing regarding all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:
 - a. Investment Strategy
 - b. Portfolio Structure
 - c. Tactical Approaches
 - d. Ownership
 - e. Organizational Structure
 - f. Financial Condition
 - g. Professional Staff
 - h. Recommendations for Guidelines Changes
 - i. All legal, SEC and other proceedings affecting the firm
4. Timely voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan as set forth herein. Each Manager shall keep a detailed record of said proxy voting and related actions and will comply with all regulatory obligations related thereto. Reports of such voting and actions shall be delivered to the Board no less frequently than quarterly.
5. Utilizing the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use like activities for like retirement plans with like aims in accordance with all applicable laws, rules and regulations from local, state, federal and international political entities as they may pertain to fiduciary duties and responsibilities.
6. Acknowledging and agreeing in writing to their fiduciary responsibility fully to comply with the entire Investment Policy, as same may be modified from time to time.

- C. **Monitoring of Money Managers.** Quarterly performance will be evaluated to test progress toward the attainment of long-term targets. The Board understands that there may be short-term periods during which performance deviates from market indices. During such periods, greater emphasis shall be placed on peer performance comparison with managers employing similar styles.

From time to time, but no less than quarterly, the Board will meet to focus on:

1. Manager's adherence to this Investment Policy.
2. Material changes in the Manager's organization, investment philosophy and/or personnel.
3. Comparisons of Manager's results to appropriate indices, specifically the S&P 500 Index for Buckhead large cap equities and Davis, Hamilton, Jackson equities; the Russell 2000 Value Index for Buckhead Small Cap equities; the Lehman Brothers Government/Credit Intermediate Index for Davis, Hamilton, Jackson fixed income; and the Lehman Brothers Aggregate Bond Index for Invesco fixed income.
4. The risk associated with each Manager's portfolio, as measured by variability of quarterly returns (standard deviation), which should not exceed that of the benchmark index without a corresponding increase in performance above the benchmark index.

In addition, the Board will focus on:

1. The Manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper half of its respective style universe.
2. This Plan's investment performance results compared to the Manager's overall composite performance figures to determine unaccounted for dispersion between the Manager's reported results and the Plan's results. The Manager shall provide composite data if requested.

The Board is aware that ongoing review and analysis of Money Managers is as important as the due diligence utilized during the manager selection process. Accordingly, a thorough review and analysis of the Money Manager will be conducted if:

1. A Manager performs in the bottom quartile of its peer group over two consecutive quarters or over an annual period.
2. A Manager falls in the "southeast quadrant" of the risk/return scattergram for a three or five-year period.
3. A Manager under performs its index for four consecutive quarters.

Further, a Manager may be replaced at any time and for any reason, including but not limited to the following:

1. A Manager consistently performs below the median of its peer group over rolling three-year periods.
2. A Manager has consistently negative alpha over rolling three-year periods.

The following events also warrant immediate review of the Manager:

1. Changes in professional staff.
2. Significant loss of business.
3. Significant increase in business.
4. Change in ownership and/or control.

(14) CONTINUING EDUCATION

All Board members are encouraged and expected to attend continuing education seminars concerning matters related to investments and responsibilities of Board members. Without limiting the foregoing, Board members are pre-authorized to attend in-state or out of state seminars covering public retirement plans.

(15) REPORTING

The Board shall submit an annual report to the City of Sunrise. The report shall include investments in the portfolio by class or type, income earned and market value. The annual report shall be available to the public.

(16) FILING OF INVESTMENT POLICY

Upon adoption by the Board, this Investment Policy shall be promptly filed with the Florida Department of Management Services, the City of Sunrise and the Actuary. The effective date of this Investment Policy, and any amendments hereto, shall be 31st calendar day following the filing date with the City.

(17) VALUATION OF ILLIQUID INVESTMENTS

Investments and assets for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism are prohibited.

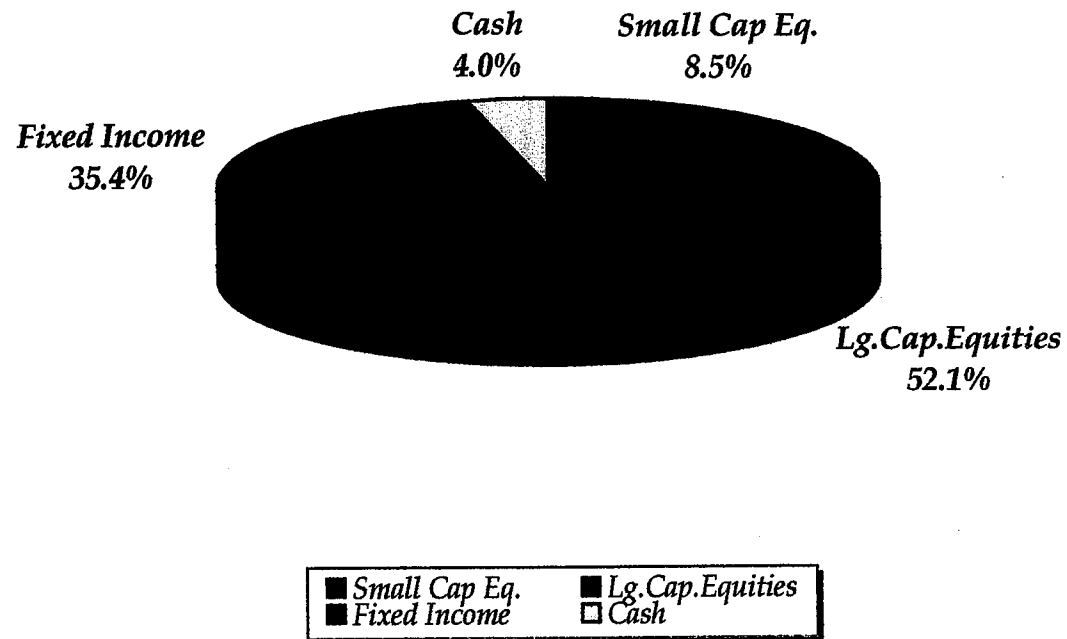
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INVESTMENT PERFORMANCE

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**CITY OF SUNRISE, FLORIDA
POLICE OFFICERS' RETIREMENT PLAN**

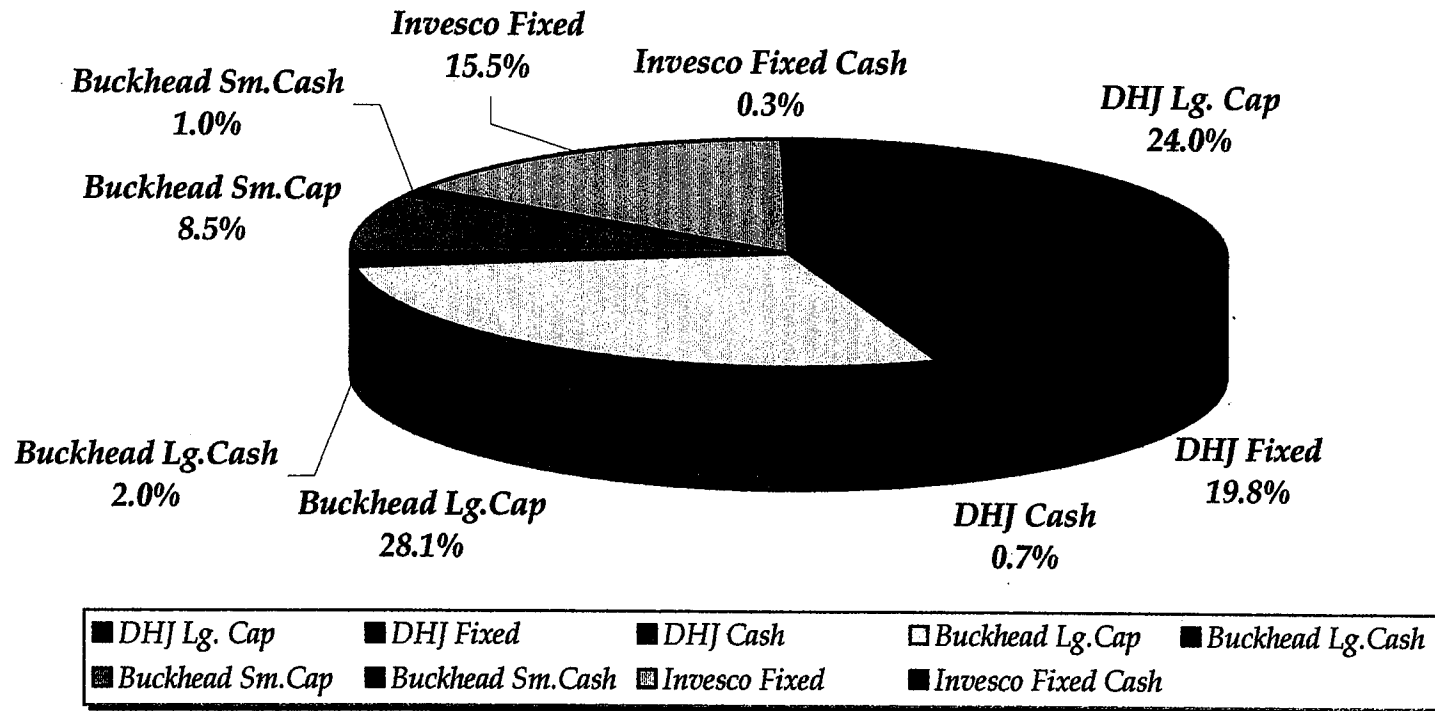
*Total Asset Allocation
September 30, 2006*



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**CITY OF SUNRISE, FLORIDA
POLICE OFFICERS' RETIREMENT PLAN**

*Manager Allocation
September 30, 2006*



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CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

PERFORMANCE EVALUATION SUMMARY

SEPTEMBER 30, 2006

Manager	Small Cap Eq.	Lg.Cap.Equities	Fixed Income	Cash	Total	Manager % of Total Portfolio	% of Total
<i>DHJ Lg. Cap</i>		\$11,457,000			\$11,457,000		24.0%
<i>DHJ Fixed</i>			\$9,479,000		\$9,479,000		19.8%
<i>DHJ Cash</i>				\$326,000	\$326,000	44.5%	0.7%
<i>Buckhead Lg. Cap</i>		\$13,438,000			\$13,438,000		28.1%
<i>Buckhead Lg. Cash</i>				\$959,000	\$959,000	30.1%	2.0%
<i>Buckhead Sm. Cap</i>	\$4,077,000				\$4,077,000		8.5%
<i>Buckhead Sm. Cash</i>				\$472,000	\$472,000	9.5%	1.0%
<i>Invesco Fixed</i>			\$7,414,000		\$7,414,000		15.5%
<i>Invesco Fixed Cash</i>				\$143,000	\$143,000	15.8%	0.3%
Total	\$4,077,000	\$24,895,000	\$16,893,000	\$1,900,000	\$47,765,000	100.0%	100.0%
<hr/>							
<i>% of Total</i>	8.5%	52.1%	35.4%	4.0%	100.0%		
<i>Target %</i>	10.0%	50.0%	40.0%	0.0%	100.0%		

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

PERFORMANCE EVALUATION SUMMARY

SEPTEMBER 30, 2005

	<u>Current Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
TOTAL FUND									
<i>Return</i>	3.13%	6.57%	7.47%	5.64%	8.42%	7.44%	14.37%	-7.32%	-9.99%
<i>Ranking (50% Br.Lg.Core, 40% Br.Fixed & 10% Br.Sm.Val.Core)</i>	68	70	88	78	86	92	80	35	34
<i>Policy Return (50% S&P500, 40% LBAB & 10% R2000V)</i>	4.61%	8.28%	9.35%	6.90%	9.06%	10.73%	17.04%	-8.77%	-12.48%
TOTAL EQUITIES									
<i>Return</i>	3.40%	9.02%	11.46%	6.69%	12.84%	12.55%	24.55%	-19.84%	-26.00%
<i>Ranking (83.3% Br.Lg.Core & 16.7% Br.Sm.Val.Core)</i>	68	62	78	75	74	79	33	76	43
<i>Policy Return (83.3% S&P 500 & 16.7% R2000V)</i>	5.14%	11.36%	13.33%	7.88%	13.21%	15.46%	24.80%	-19.57%	-26.85%
TOTAL FIXED INCOME									
<i>Return</i>	3.42%	3.48%	3.26%	4.91%	2.95%	3.36%	5.52%	9.39%	13.48%
<i>Ranking (Broad Fixed)</i>	35	63	59	35	36	45	41	9	9
<i>Policy Return (LBAB)</i>	3.81%	3.67%	3.38%	4.92%	2.80%	3.68%	5.44%	9.11%	13.41%

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

TOTAL ACCOUNT UNIVERSE COMPARISONS

Universe Comparisons

50% BLC Core Eq. , 10% BSCV Core, 40% BFI

Trailing Returns through September 30, 2006

	2 Qtrs	3 Qtrs	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr
Fund										
Return	1.38	4.42	6.57	7.49	7.47	9.16	5.64	2.86	3.80	4.94
%-tile	72	76	70	83	88	91	78	52	51	63
Policy										
Return	3.55	6.83	8.28	8.67	9.35	11.23	6.90	3.40	4.28	5.62
%-tile	15	25	24	52	50	48	41	41	39	39
Universe										
5th %-tile	4.22	8.30	9.71	11.33	12.16	15.03	9.14	6.87	7.16	7.70
25th %-tile	3.05	6.81	8.23	9.54	10.37	12.22	7.63	4.66	5.13	6.15
50th %-tile	2.33	5.81	7.44	8.71	9.34	11.15	6.52	2.94	3.85	5.28
75th %-tile	1.16	4.43	6.26	7.87	8.47	10.14	5.77	1.51	2.89	4.58
95th %-tile	-0.91	2.19	4.39	6.41	6.71	8.35	4.32	-0.88	1.45	3.17

Fiscal Year Returns Ending September

	Qtr	YTD	2005	2004	2003	2002	2001	2000	1999	1998
Fund										
Return	3.13	6.57	8.42	7.44	14.37	-7.32	-9.99	9.62	13.24	
%-tile	68	70	86	92	80	35	34	56	76	
Policy										
Return	4.61	8.28	9.06	10.73	17.04	-8.77	-12.48	9.76	15.47	
%-tile	8	24	72	53	36	62	51	55	60	
Universe										
5th %-tile	4.77	9.71	13.96	15.03	25.08	-4.32	0.98	24.81	25.59	11.46
25th %-tile	4.04	8.23	11.46	12.42	17.99	-6.73	-7.11	14.69	19.27	8.47
50th %-tile	3.58	7.44	10.03	10.84	15.97	-8.23	-12.37	10.27	16.34	5.67
75th %-tile	-2.91	6.26	8.88	9.51	14.68	-9.64	-17.28	7.76	13.50	2.29
95th %-tile	1.63	4.39	7.62	6.91	12.74	-13.18	-23.08	2.88	6.41	-2.54

Returns are in percent. "%-tile" is the percentile ranking within the universe.

Returns for periods exceeding one year are annualized.

Incept is December 31, 1997 to September 30, 2006

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

EXPLANATION OF RISK/REWARD SCATTERPLOT GRAPHS

SEPTEMBER 30, 2006

The crossing lines represent the 5-year return (horizontal line) and 5-year standard deviation or volatility or risk (vertical line) of the index against which the Fund is being measured.

Each point represents the Fund's 5-year return (vertically) and the standard deviation or volatility (horizontally), relative to the index. If a point is in the southwest quadrant, for example, the 5-year return of the Fund has been less than (below) the index line, and the 5-year standard deviation (volatility) has also been less than (to the left of) the index line.

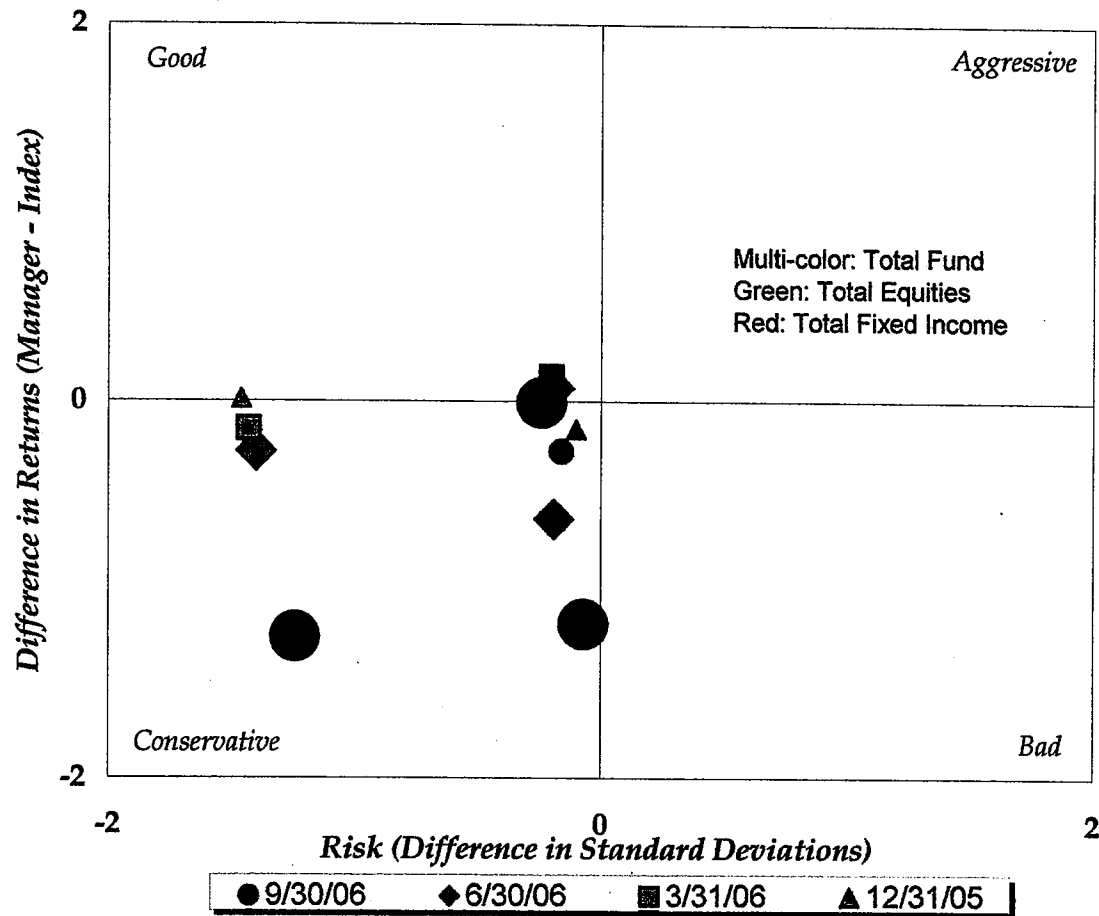
There are four points, one for each of the last four quarters. The earliest one is the smallest and the quarter just ended being the largest. Each point shows the 5-year relative position of the Fund versus the index for that quarter. The movement of the points shows the trend, or direction, over time.

As noted in the graph, the best place is the northwest quadrant (less risk and a higher return); the worst place to be is the southeast quadrant (more risk and a lower return).

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

TOTAL FUND TRAILING 5-YEAR RISK/REWARD
(versus each policy)

September 30, 2006



CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
PERFORMANCE EVALUATION SUMMARY
SEPTEMBER 30, 2006

	<u>Current</u> <u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>2005</u>	<u>2004</u>	<u>Fiscal Year</u> <u>2003</u>	<u>2002</u>	<u>2001</u>
TOTAL FUND(Net of Fees)									
Return	3.13%	6.57%	7.47%	5.64%	8.42%	7.44%	14.37%	-7.32%	-9.99%
Ranking (50% Br.Lg.Core, 40% Br.Fixed & 10% Br.Sm.Val.Core)	68	70	88	78	86	92	80	35	34
Policy Return (50% S&P500, 40% LBAB & 10% R2000V)	4.61%	8.28%	9.35%	6.90%	9.06%	10.73%	17.04%	-8.77%	-12.48%
TOTAL EQUITIES									
Return	3.40%	9.02%	11.46%	6.69%	12.84%	12.55%	24.55%	-19.84%	-26.00%
Ranking (83.3% Br.Lg.Core & 16.7% Br.Sm.Val.Core)	68	62	78	75	74	79	33	76	43
Policy Return (83.3% S&P 500 & 16.7% R2000V)	5.14%	11.36%	13.33%	7.88%	13.21%	15.46%	24.80%	-19.57%	-26.85%
TOTAL FIXED INCOME									
Return	3.42%	3.48%	3.26%	4.91%	2.95%	3.36%	5.52%	9.39%	13.48%
Ranking (Broad Fixed)	35	63	59	35	36	45	41	9	9
Policy Return (LBAB)	3.81%	3.67%	3.38%	4.92%	2.80%	3.68%	5.44%	9.11%	13.41%

Gold indicates equal to or beat the index, or in upper 40% of universe

Red indicates bottom 40% of universe

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
PERFORMANCE EVALUATION SUMMARY
SEPTEMBER 30, 2006

	<u>Current</u> <u>Quarter</u>	<u>One Year</u>	<u>Two Years</u>	<u>Three Years</u>	<u>2005</u>	<u>2004</u>	<u>Fiscal Year</u>		
							<u>2003</u>	<u>2002</u>	<u>2001</u>
BUCKHEAD LARGE VALUE PORTFOLIO (includes cash)									
<i>Return</i>	5.01%	11.92%	11.31%	13.09%	10.70%	16.73%	n/a	n/a	n/a
<i>Ranking (Br.Lg. Value Core)</i>	69	42	78	61	79	36	n/a	n/a	n/a
<i>Policy (S&P 500)</i>	5.67%	10.79%	11.52%	12.30%	12.25%	13.87%	n/a	n/a	n/a
<i>(R1000V)</i>	6.22%	14.62%	17.25%	10.73%	16.69%	20.52%	n/a	n/a	n/a
BUCKHEAD SMALL EQUITY PORTFOLIO (includes cash)									
<i>Return</i>	0.10%	9.21%	11.05%	n/a	12.93%	n/a	n/a	n/a	n/a
<i>Ranking (Br.Sm. Value Core)</i>	50	55	85	n/a	91	n/a	n/a	n/a	n/a
<i>Policy (R2000V)</i>	2.55%	14.00%	15.86%	n/a	17.75%	n/a	n/a	n/a	n/a

Gold indicates equal to or beat the index, or in upper 40% of universe
Red indicates bottom 40% of universe

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
PERFORMANCE EVALUATION SUMMARY
SEPTEMBER 30, 2006

	<u>Current</u>						<u>Fiscal Year</u>		
	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
INVESCO FIXED INCOME PORTFOLIO(includes cash)									
<i>Return</i>	3.26%	3.06%	2.94%	4.05%	2.65%	3.11%	3.07%	8.48%	13.21%
<i>Ranking (Broad Fixed)</i>	47	81	68	65	46	51	70	16	12
<i>Policy (LBAB)</i>	3.81%	3.67%	3.38%	4.92%	2.80%	3.68%	5.44%	9.11%	13.41%
<i>(LBAB A and better)</i>	3.72%	3.70%	3.31%	4.65%	2.80%	3.44%	4.43%	8.99%	13.08%
<i>Gold indicates equal to or beat the index, or in upper 40% of universe</i>									
<i>Red indicates bottom 40% of universe</i>									

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

LIST OF LARGEST ASSETS HELD

September 30, 2006

TOP TEN EQUITY HOLDINGS

(By Fair Value)

<u>RANK</u>	<u>SHARES</u>	<u>NAME</u>	<u>FAIR VALUE</u>	<u>% EQUITY</u>	<u>RETURN</u>
1	36,665	Microsoft	\$ 1,002,788	3.46%	7.7%
2	13,485	Home Depot	489,101	1.69	-3.5%
3	7,050	Exxon Mobil	473,455	1.64	11.7%
4	10,604	First Data Corp.	445,368	1.54	5.6%
5	5,750	Altria Group	440,163	1.52	8.3%
6	6,060	General Dynamics	434,320	1.50	21.3%
7	5,820	3M Company	433,124	1.50	2.0%
8	15,385	Tyco International	430,626	1.49	1.6%
9	9,080	JP Morgan Chase	426,397	1.47	41.4%
10	6,260	American International Group	414,788	1.43	7.9%

TOP TEN BOND HOLDINGS

(By Fair Value)

<u>RANK</u>	<u>PAR</u>	<u>BONDS</u>	<u>COUPON</u>	<u>MATURITY</u>	<u>FAIR VALUE</u>
1	\$720,000	US Treasury Note	3.625%	6/30/2007	\$712,688
2	\$695,000	Federal National Mortgage Assoc. Note	5.375%	11/15/2011	\$709,986
3	\$710,000	US Treasury Note	3.875%	9/15/2010	\$691,834
4	\$610,000	Federal Home Loan Mortgage Note	6.000%	8/01/2016	\$636,909
5	\$595,000	Federal Home Loan Mortgage Note	5.550%	10/04/2016	\$601,747
6	\$575,000	Federal Home Loan Mortgage Note	5.875%	5/23/2016	\$599,119
7	\$570,000	Federal Home Loan Mortgage Note	5.550%	9/15/2011	\$585,734
8	\$535,000	Federal National Mortgage Assoc. Note	5.750%	5/18/2013	\$550,407
9	\$530,000	Federal National Mortgage Assoc. Note	5.625%	5/10/2011	\$547,970
10	\$515,000	Federal National Mortgage Assoc. Note	5.550%	5/18/2000	\$525,963

Note: A complete listing of investments is available upon request from the office of the Plan Administrator.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

SCHEDULE OF FEES
Year ended September 30, 2006

	<u>Assets Under Management</u>	<u>Fees</u>
Investment Managers:		
Fixed income	\$ 17,803,188	\$ 72,506
Equity	<u>30,073,498</u>	<u>172,525</u>
Total assets and fees (1)	\$ <u>47,876,686</u>	245,031
Other Investment Service Fees:		
Custodian		27,118
Performance monitor		<u>38,525</u>
Total fees		\$ <u>310,674</u>

- (1) Does not include investments in which the Board has invested the plan assets which have multifaceted fee or compensation components and which are deducted from the assets when determining plan unit values.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

SCHEDULE OF COMMISSIONS

Year ended September 30, 2006

<u>Brokerage Firm</u>	<u>Number of Shares Traded</u>	<u>Total Commissions</u>	<u>Commissions Per Share</u>	<u>Commission Recapture</u>
Bear Stearns	11,175	\$ 559	\$ 0.05	\$ -
Capital Institutional Services	379,901	17,841	0.05	10,798
Credit Suisse First Boston	900	27	0.03	-
Jefferies and Company	2,900	87	0.03	-
Knight Trading	48,975	1,469	0.03	-
Lehman Brothers	30,000	1,500	0.05	-
Lynch, Jones, Ryan	308,335	14,798	0.05	15,182
Merrill Lynch Donaldson	86,245	4,312	0.05	2,341
Morgan Stanley	9,050	452	0.05	-
Sanford C Bernstein	23,510	1,175	0.05	-
Smith Barney	22,535	1,127	0.05	-
Totals	<u>923,526</u>	<u>\$ 43,347</u>	<u>\$ 0.47</u>	<u>28,321</u>

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
INVESTMENT SUMMARY
September 30, 2006

<u>Type of Investment</u>	<u>Fair Value September 30, 2006</u>	<u>Percent of Total Fair Value</u>
Fixed Income:		
U.S. Government securities	\$ 4,429,291	9.28%
U.S. Government agencies	10,595,510	22.20
Corporate bonds	1,679,923	3.52
Total fixed income	16,704,724	35.00
Common Stock:		
Energy	1,847,435	3.87
Materials	1,442,407	3.02
Industrials	5,409,883	11.34
Consumer discretionary	3,703,994	7.76
Consumer staples	2,510,390	5.26
Health care	3,096,259	6.49
Financials	4,645,454	9.73
Information technology	5,449,769	11.42
Telecommunication services	843,398	1.76
Total common stock	28,948,989	60.65
Short-Term Investment:		
Temporary investment funds	2,222,973	4.66
Total short-term investment	2,222,973	4.66
Receivables and Other:		
Pending trade purchases	(642,257)	(1.34)
Pending trade sales	311,674	0.65
Accrued income	180,396	0.38
Total receivables and other	(150,187)	(0.31)
Total	\$ 47,726,499	100.00%

ACTUARIAL SECTION

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March 20, 2007

Board of Trustees
City of Sunrise Police Officers
Retirement Plan (the Plan)
Sunrise, Florida

Dear Trustees:

The funding objective of the Plan is to establish contribution rates, expressed as percents of active member payroll, that will remain approximately level from year to year. Changes in Plan benefits and differences between actual and expected experience will cause the contribution rate to change.

Contributions that satisfy the funding objective are determined by annual actuarial valuations. These valuations determine a normal (current service) cost as a level percentage of payroll, plus level percentage of payroll amortization of the unfunded actuarial accrued liability.

The most recent actuarial valuation is dated October 1, 2005, based on information provided by the Board's staff, the Board's auditor and the City. We have relied on this information to perform our valuation, and we have conducted a number of checks for reasonableness of the data.

A list of supporting schedules is as follows:

- Summary of actuarial assumptions and methods
- Schedule of active and retired member data
- Solvency tests
- Analysis of financial experience
- Summary of plan provisions and changes
- Schedule of changes in net assets
- Schedule of revenue and expenses
- Schedule of benefit expenses by type
- Schedule of retired members by type of benefit
- Schedule of average benefit payments
- Schedule of funding progress
- Schedule of contributions from the City
- Notes to the schedules of funding progress and contributions from the City

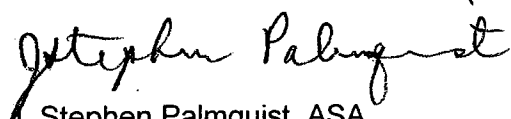
We compiled all the information in these supporting schedules.

To the best of our knowledge, the assumptions and methods being utilized conform to the Government Accounting Standards Board (GASB) Statements No. 25 and No. 27.

Board of Trustees
March 20, 2007
Page 2

On the basis of the October 1, 2005 Actuarial Valuation, it is our opinion that the Plan continues to fund its pension obligations in a manner consistent with the stated funding objective and with generally accepted actuarial principles.

Sincerest regards,

A handwritten signature in cursive script, reading "Stephen Palmquist".

Stephen Palmquist, ASA
Senior Consultant and Actuary

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary Actuarial Assumptions and Methods

A. Mortality Rates

The 1983 Group Annuity Mortality Tables for males and females. For disabled lives, regular mortality rates are set forward five years.

B. Investment Return (including inflation)

8.5% per year, compounded annually; net rate after investment related expenses.

C. Allowances for Expenses

Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.

D. Employee Turnover Rates

See Table below.

E. Disability Rates

See Table below. The assumed incidence of disabilities is 75% service incurred and 25% as non-service incurred.

F. Salary Increase Rates (including inflation)

See Table below.

Age	Turnover	Disability	Salary Increases
20	6.0%	0.14%	8.5%
25	5.7	0.15	8.5
30	5.0	0.18	8.3
35	3.8	0.23	7.2
40	2.6	0.30	5.2
45	1.6	0.51	5.2
50	0.8	1.00	5.2
55	0.3	1.55	5.2

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary Actuarial Assumptions and Methods (Continued)

G. Assumed Retirement Age

Service	Age																			
	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	
10	0%	0%	0%	0%	0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	30%	30%	80%	80%	100%	100%	100%	100%	
11	0%	0%	0%	0%	0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	10%	10%	80%	80%	100%	100%	100%	100%	
12	0%	0%	0%	0%	0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	10%	10%	80%	80%	100%	100%	100%	100%	
13	0%	0%	0%	0%	0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	10%	10%	80%	80%	100%	100%	100%	100%	
14	0%	0%	0%	0%	0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	10%	10%	80%	80%	100%	100%	100%	100%	
15	0%	0%	0%	0%	0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	10%	10%	80%	80%	100%	100%	100%	100%	
16	0%	0%	0%	0%	0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	10%	10%	80%	80%	100%	100%	100%	100%	
17	0%	0%	0%	0%	0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	10%	10%	80%	80%	100%	100%	100%	100%	
18	0%	0%	0%	0%	0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	10%	10%	80%	80%	100%	100%	100%	100%	
19	0%	0%	0%	0%	0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	10%	10%	80%	80%	100%	100%	100%	100%	
20	30%	30%	30%	30%	30%	30%	30%	30%	35%	40%	45%	50%	60%	80%	80%	100%	100%	100%	100%	
21	5%	5%	5%	5%	5%	5%	15%	15%	15%	15%	15%	15%	15%	80%	80%	100%	100%	100%	100%	
22	5%	5%	5%	5%	5%	5%	15%	15%	15%	15%	15%	15%	15%	80%	80%	100%	100%	100%	100%	
23	5%	5%	5%	5%	5%	5%	15%	15%	15%	15%	15%	15%	15%	80%	80%	100%	100%	100%	100%	
24	5%	5%	5%	5%	5%	5%	15%	15%	15%	15%	15%	15%	15%	80%	80%	100%	100%	100%	100%	
25	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

H. Valuation of Assets

The method used for determining the actuarial value of assets phases in the difference between the expected and actual return on assets at the rate of 20% per year. The actuarial value of assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets.

I. Inflation

4.0% per year.

J. Increase in Covered Payroll

4% (Average over most recent 10 years exceeds 4%.)

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary Actuarial Assumptions and Methods (Continued)

K. Cost Methods

Frozen Entry Age Actuarial Cost Method. Under this method the excess of the Actuarial Present Value of Projected Benefits of the group included in the valuation, over the sum of the Actuarial Value of Assets, the Unfunded Frozen Actuarial Accrued Liability and the Actuarial Present Value of Future Member Contributions (if any) is allocated as a level percentage of earnings of the group between the valuation date and the assumed retirement age. This allocation is performed for the group as a whole, not as a sum of individual allocations. The portion of this Actuarial Present Value allocated to a specific year is called the Employer Normal Cost. Under this method, actuarial gains (losses) reduce (increase) future Normal Costs.

L. Changes Since Previous Valuation

The Plan has adopted new retirement rates.

M. Choice of Assumptions and Methods

The actuarial assumptions and methods are recommended by the actuary and adopted by the Board of Trustees at various times. Unless otherwise indicated (above) the actuarial assumptions were adopted prior to 1998. The recommendations are based on a review of actual plan experience, although a recent formal experience study has not been performed.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Active and Retiree Valuation Data

Active Members								
Valuation Date	Number	Annual Payroll	Average Pay	% Increase				
10/01/1998	153	\$ 7,837,902	\$ 51,228	0.7 %				
10/01/1999	145	7,357,096	50,739	(1.0)				
10/01/2000	143	7,770,678	54,340	7.1				
10/01/2001	160	9,295,368	58,096	6.9				
10/01/2002	159	9,383,281	59,014	1.6				
10/01/2003	162	10,210,382	63,027	6.8				
10/01/2004	163	10,894,352	66,837	6.0				
10/01/2005	158	11,323,389	71,667	7.2				

Retirant and Beneficiary Data				Annual Allowances				
Valuation Date	Number Added	Number Removed	Number	Added to Roll	Removed from Roll	Total	% Increase in Annual Allowances	Average Annual Allowances
10/01/1998	1	0	33	\$ 43,644	\$ --	\$ 862,144	5.3 %	\$ 26,126
10/01/1999	32	1	64	1,338,819	30,274	2,170,689	151.8	33,917
10/01/2000	2	0	66	43,966	165,568	2,049,085	(5.6)	31,047
10/01/2001	0	0	66	--	--	2,049,085	0.0	31,047
10/01/2002	7	2	71	266,221	43,223	2,272,083	10.9	32,001
10/01/2003	2	0	73	69,105	(110,466) *	2,230,722	(1.8)	30,558
10/01/2004	0	0	73	5,978 **	--	2,236,700	0.3	30,640
10/01/2005	1	0	74	45,871	--	2,282,571	1.0	30,846

* Due to adjustments in records

** Due to change in status

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Solvency Test

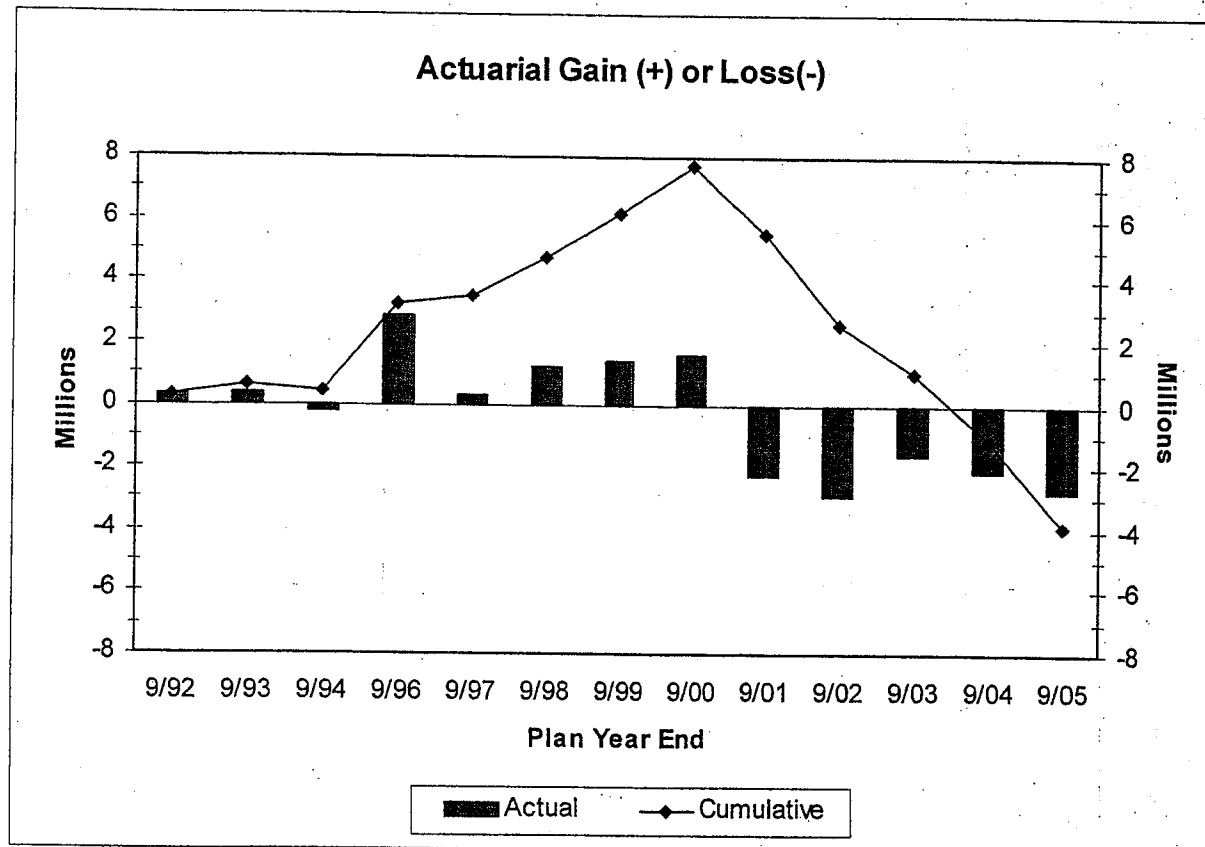
Valuation Date	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	Portion of Accrued Liability Covered by Assets					
					(1)	(2)	(3)			
10/01/1998	\$ 3,678,116	\$ 9,494,714	\$ 14,829,182	\$ 31,671,180	100.0	%	100.0	%	100.0	%
10/01/1999	2,622,176	23,350,263	9,475,496	35,269,226	100.0		100.0		98.1	
10/01/2000	2,918,405	22,551,943	11,746,059	37,512,699	100.0		100.0		100.0	
10/01/2001	3,490,341	22,402,604	15,774,030	40,151,353	100.0		100.0		90.4	
10/01/2002	3,665,028	24,454,513	15,741,003	39,137,722	100.0		100.0		70.0	
10/01/2003	4,309,326	23,945,126	18,540,166	40,191,182	100.0		100.0		64.4	
10/01/2004	5,257,166	23,791,026	19,954,269	41,494,126	100.0		100.0		62.4	
10/01/2005	6,045,837	24,084,468	30,681,829	42,540,854	100.0		100.0		40.4	

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Analysis of Financial Experience

Year	Gain (or Loss) During Year From Financial Experience	Gain (or Loss) During Year Due to Liabilities	Composite Gain (or Loss) During Year
1998	\$ 1,231,383	\$ (33,257)	\$ 1,198,126
1999	1,597,929	(163,732)	1,434,197
2000	1,866,078	(276,505)	1,589,573
2001	247,717	(2,472,765)	(2,225,048)
2002	(3,704,651)	792,173	(2,912,478)
2003	(1,793,532)	175,707	(1,617,825)
2004	(2,310,919)	213,662	(2,097,257)
2005	(2,626,953)	(164,442)	(2,791,395)

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN



CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary of Plan Provisions and Changes

A. Effective Date

July 1, 1972

B. Eligibility Requirements

All full-time police officers. Participation is mandatory.

C. Creditable Service

Full-time service with the City during which time prescribed employee contributions are made. Under certain conditions, military service is includable.

D. Salary

Gross pay, excluding payouts of accrued benefits upon termination of employment.

E. Average Final Compensation (AFC)

Average salary for the three best years.

F. Normal Retirement

Eligibility - Age 53 and 10 years of service or 20 years of service regardless of age.

Benefit - (a) 3% of AFC for each of the first 10 years of Service plus 4% of AFC for the next 10 years of service plus 2% of AFC for each year of service thereafter, subject to a maximum of 80% of AFC.

(b) Any Police Officer who was actively employed on October 1, 2003 and retires or enters the DROP on or after January 1, 2006 will receive the greater of (a) above and:

- 4% of AFC for each of first 10 years of service plus 2% of AFC for each year thereafter. 2% will be added to the total percentage for Officers who were vested as of January 1, 2006. An additional 2% will be added to the total percentage for Officers who are actively employed until age 53 with 10 or more years of credited service.

(c) In addition, Police Officers who terminate and begin receiving early or normal retirement benefits on or after January 1, 2006, will receive a supplemental monthly benefit equal to \$16.25 per year of service with a maximum supplement of \$325 per month until age 65 and \$10 per year with a maximum of \$200 per month thereafter.

Form of Benefit - Ten years certain and life annuity, with other options available.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary of Plan Provisions and Changes (Continued)

G. Early Retirement

Eligibility - Age 47 and 10 years of service.

Benefit - Accrued benefit reduced by 3% for each year by which early retirement date precedes normal retirement date. Supplemental benefit described above is also payable.

H. Vesting

Upon completion of 10 years of Creditable Service, Members are fully vested in their accrued benefits. Should such a Member terminate employment and leave his own contributions in the Fund, he would be entitled to his accrued benefit beginning at his Normal Retirement Age. Members who terminate before completion of 10 years receive a refund of their own contributions without interest.

I. Service Incurred Disability

Eligibility - A total and permanent disability which impairs a member from his regular and continuous duty within his job classification.

Benefit - 75% of Salary in effect on date of disability less certain amounts paid by Workers' Compensation and in certain cases, earnings after the first \$10,000 from other sources such as salaries and self-employment income.

J. Non-Service Incurred Disability

Eligibility - A total and permanent disability which impairs a member from rendering efficient service to the City.

Benefit - The accrued retirement benefit with a minimum of 25% of AFC.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary of Plan Provisions and Changes (Continued)

K. Preretirement Death Benefits (Service Connected)

In the event of a member's service incurred death, the spouse shall receive a benefit equal to the greater of 75% of the AFC or the accrued pension benefit.

L. Preretirement Death Benefits (Non-Service Connected)

In the event of the death of a nonvested member, his accumulated contributions shall be paid to his beneficiary. Upon the death of a vested member, the beneficiary shall receive a benefit in accordance with the member's written election of an optional form of payment; such benefit begins on the earliest date the member could have retired.

M. Deferred Retirement Option Plan (DROP)

Members who continue in employment past normal retirement date may either accrue larger pensions or freeze their accrued benefit and enter the DROP. Each participant in the DROP has an account credited with benefits not received and investment earnings.

N. Contributions

Members - 8.15% of Salary beginning October 1, 2004; 9.15% of Salary beginning October 1, 2005; and 10.15% of Salary beginning October 1, 2006. These rates are subject to increase if the City's contribution exceeds 11.5% of covered payroll beginning October 1, 2004; 13.0% beginning October 1, 2005; and 18.0% beginning October 1, 2006.

State - Premium Tax Refunds for the benefit of police officers.

City - Each year the City will contribute at least the difference between the total cost of the system and the sum of State contributions and member contributions.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary of Plan Provisions and Changes (Continued)

O. Recent Changes

The following changes in benefits have been made since the last valuation:

1. The current employee contribution rate is 10.5%, subject to increase if the City's contribution exceeds 18%.
2. The current employer contribution threshold rate is 18%.
3. An eligible member who elects to participate in the DROP program on or after January 1, 2006 within 60 months following the member's earliest normal retirement date may participate in the DROP for a maximum of 60 months.
4. For Officers who terminate after January 1, 2006, there will be a Cost of Living Adjustment of 2% per year starting five years after retirement or entry into the DROP.
5. The normal retirement benefit changed as follows:
 - (a) 3% of AFC for each of the first 10 years of service plus 4% of AFC for the next ten years of service plus 2% of AFC for each year of service thereafter; subject to a maximum of 80% of AFC.
 - (b) Any Police Officer who was actively employed on October 1, 2003, and retires or enters the DROP on or after January 1, 2006 will receive the greater of (a) above and:
 - 4% of AFC for each of first 10 years of service plus 2% of AFC for each year thereafter. 2% will be added to the total percentage for Officers who were vested as of January 1, 2006. An additional 2% will be added to the total percentage for Officers who are actively employed until age 53 with 10 or more years of credited service.
 - (c) In addition, Police Officers who terminate and begin receiving early or normal retirement benefits on or after January 1, 2006 will receive a supplemental monthly benefit equal to \$16.25 per year of service with a maximum supplement of \$325 per month until age 65 and \$10 per year with a maximum of \$200 per month thereafter.

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STATISTICAL SECTION

This part of the City of Sunrise, Florida Police Officers' Retirement Plan's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Plan's overall financial health.

Content	Page
Financial Trends	67-69

These schedules contain trend information to help the reader understand how the Plan's financial performance and well-being have changed over time.

Revenue Capacity	70
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This schedule contains information to help the reader compare the employer's and participant's contribution rates.

Participant Information	71
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This schedule presents a schedule of member characteristics.

Operating Information	72-75
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These schedules contain information about the Plan's types of benefits and benefit payments to help the reader understand how the Plan's financial information relates to the retirement benefits Plan.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Changes in net Assets

Last Two Fiscal Years

	<u>Fiscal Year</u>	
	<u>2006</u>	<u>2005</u>
Additions:		
Employer contributions	\$ 1,664,302	\$ 1,341,822
Plan members contributions	1,240,222	1,023,732
Plan members buy-back	27,288	-
State excise tax rebate	512,973	503,294
Investment income (net of expenses)	2,863,763	3,370,326
Total additions to plan net assets	6,308,548	6,239,174
Deductions (see Schedule 2):		
Benefit payments	2,382,198	2,091,446
Refunds	89,199	151,872
Administrative expenses	236,987	172,935
Total deductions from plan net assets	2,708,384	2,416,253
Change in net assets	\$ <u>3,600,164</u>	\$ <u>3,822,921</u>

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Revenue by Source and Expenses by Type

Revenue by Source

Last Ten Fiscal Years

Year Ending September 30	Member Contributions	Employer Contributions			State Contributions*	Investment Income	Total
		Dollars	% of Annual Covered Payroll				
9/30/1997	\$ 506,493	\$ 343,282	4.8%	\$	311,098	\$ 6,754,640	\$ 7,915,513
9/30/1998	535,142	416,155	5.3		307,312	3,104,484	4,363,093
9/30/1999	619,687	277,685	3.8		295,625	4,496,570	5,689,567
9/30/2000	601,351	746,594	9.6		264,311	4,231,796	5,844,052
9/30/2001	580,568	652,379	7.0		280,803	(4,171,454)	2,657,704
9/30/2002	637,963	708,249	7.5		323,404	(2,663,147)	(993,531)
9/30/2003	729,584	1,019,184	9.98		374,160	4,541,902	6,664,830
9/30/2004	1,016,441	1,252,491	11.50		497,445	2,717,722	5,484,069
9/30/2005	1,023,732	1,341,822	12.64		503,294	3,370,326	6,239,174
9/30/2006	1,240,222	1,664,302	14.69		512,973	2,863,763	6,308,548

Expenses by Type

Year Ending September 30	Benefit Payments	Administrative Expenses	Refunds	Miscellaneous	Total
9/30/1997	\$ 715,371	\$ 82,984	\$ 21,719	\$ -	\$ 820,074
9/30/1998	887,337	90,703	46,630	-	1,024,670
9/30/1999	1,653,640	119,011	84,071	-	1,856,722
9/30/2000	3,893,913	130,854	97,923	3,225	4,125,915
9/30/2001	2,111,630	151,016	25,342	-	2,287,988
9/30/2002	1,977,312	143,551	80,813	-	2,201,676
9/30/2003	2,094,413	179,350	41,272	-	2,315,035
9/30/2004	2,051,356	198,613	48,270	-	2,298,239
9/30/2005	2,091,446	172,935	151,872	-	2,416,353
9/30/2006	2,382,198	236,987	89,199	-	2,708,384

* Actual revenue before limitation imposed by Chapter 185, Florida Statutes, excise tax rebate.

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Benefit and Refund Deductions from Net Assets by Type Last Ten Fiscal Years

Year Ending	<u>Age & Service Benefits</u>			<u>Disability Benefits</u>		<u>Refunds</u>		Total
	Retirants*	Survivors	Death in Service Benefits	Retirants	Survivors	Death	Separation	
1997	\$ 568,448	\$ 15,678	\$ -	\$ 131,245	\$ -	\$ -	\$ 21,719	\$ 737,090
1998	623,831	18,661	-	244,845	-	-	46,630	933,967
1999	1,448,955	18,661	-	186,024	-	-	84,071	1,737,711
2000	3,716,422	18,661	-	158,830	-	-	97,923	3,991,836
2001	1,907,562	18,661	-	185,407	-	-	25,342	2,136,972
2002	1,912,414	42,241	-	159,586	-	-	80,813	2,195,054
2003	2,210,059	-	-	222,486	-	-	41,272	2,336,888
2004	2,110,670	-	-	159,674	-	-	48,270	2,318,614
2005	2,178,565	-	-	151,226	-	-	151,872	2,481,663
2006	2,466,935	-	-	153,608	-	-	89,199	2,709,742

* Includes the following DROP Benefits:

Retirement payments to the account of DROP

Retirants recorded as designated plan net assets \$ 238,345

Total DROP Benefits \$ 238,345

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Employer and Employee Contribution Ratios

Last Six Fiscal Years

<u>Fiscal Year Ended September 30</u>	<u>Employee Rate (percent)</u>	<u>Employer Rate (percent)</u>
2001	7.15 %	9.26 %
2002	7.15	7.22
2003	7.45	10.45
2004	9.78	12.63
2005	9.29	12.64
2006	10.84	14.69

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Retired Members by Type

October 1, 2005

Amount of Monthly Benefit	Number of Retirants	Type of Retirement**			Option Selected #		
		1	2	3	Life	Opt. 1	Opt. 2
Deferred	-	-	-	-	-	-	-
\$1-500	-	-	-	-	-	-	-
501-1,000	3	3	-	-	2	1	-
1,001-1,500	6	6	-	-	3	3	-
1,501-2,000	9	7	2	-	6	3	-
2,001-2,500	23	21	2	-	14	9	-
2,501-3,000	11	11	-	-	3	8	-
3,001-3,500	7	7	-	-	2	4	1
3,501-4,000	12	11	1	-	9	3	-
Over 4,000	3	3	-	-	2	1	-
Totals	74	69	5	-	41	32	1

**Type of Retirement

- 1 - Normal Early and DROP retirement
including survivor beneficiaries
- 2 - Disability retirement
- 3 - Former member with deferred future benefits

Option Selected

- Life Annuity - Normal form
- Opt. 1 - Joint & Survivor
- Opt. 2 - 10 years certain & life

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Average Benefit Payments Last Eight Fiscal Years

RETIREMENT EFFECTIVE DATES	YEARS OF CREDITED SERVICE							
For Fiscal Years ended								
September 30:	0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
1998								
Average Monthly Benefit	\$ -	\$ 2,164	\$ 1,613	\$ 1,994	\$ 2,619	\$ 2,963	\$ -	\$ 2,177
Average Final Average Salary	\$ -	\$ 2,932	\$ 3,539	\$ 3,750	\$ 4,179	\$ 4,223	\$ -	\$ 3,802
Number of Active Retirants	-	3	9	7	13	1	-	33
Total Benefits Paid								\$ 862,144
1999								
Average Monthly Benefit	\$ -	\$ 2,124	\$ 1,764	\$ 2,850	\$ 2,985	\$ 4,593	\$ -	\$ 2,826
Average Final Average Salary	\$ -	\$ 2,932	\$ 3,707	\$ 4,599	\$ 4,519	\$ 5,854	\$ -	\$ 4,465
Number of Active Retirants	-	3	11	28	16	6	-	64
Total Benefits Paid								\$ 2,170,689
2000								
Average Monthly Benefit	\$ -	\$ 2,124	\$ 1,678	\$ 2,590	\$ 2,809	\$ 4,183	\$ -	\$ 2,587
Average Final Average Salary	\$ -	\$ 2,932	\$ 3,612	\$ 4,599	\$ 4,519	\$ 5,854	\$ -	\$ 4,424
Number of Active Retirants	-	3	13	28	16	6	-	66
Total Benefits Paid								\$ 2,049,087
2001								
Average Monthly Benefit	\$ -	\$ 2,124	\$ 1,678	\$ 2,590	\$ 2,809	\$ 4,183	\$ -	\$ 2,587
Average Final Average Salary	\$ -	\$ 2,932	\$ 3,612	\$ 4,599	\$ 4,519	\$ 5,854	\$ -	\$ 4,424
Number of Active Retirants	-	3	13	28	16	6	-	66
Total Benefits Paid								\$ 2,049,087
2002								
Average Monthly Benefit	\$ -	\$ 2,131	\$ 1,583	\$ 2,539	\$ 3,161	\$ 4,183	\$ -	\$ 2,667
Average Final Average Salary	\$ -	\$ 2,992	\$ 3,612	\$ 4,522	\$ 5,053	\$ 5,854	\$ -	\$ 4,575
Number of Active Retirants	-	2	13	30	20	6	-	71
Total Benefits Paid								\$ 2,272,085
2003								
Average Monthly Benefit	\$ 2,212	\$ 2,131	\$ 1,583	\$ 2,539	\$ 3,179	\$ 4,183	\$ -	\$ 2,672
Average Final Average Salary	\$ 3,097	\$ 2,992	\$ 3,612	\$ 4,522	\$ 5,061	\$ 5,854	\$ -	\$ 4,563
Number of Active Retirants	1	2	13	30	21	6	-	73
Total Benefits Paid								\$ 2,230,722
2004								
Average Monthly Benefit	\$ 2,212	\$ 2,131	\$ 1,583	\$ 2,556	\$ 3,179	\$ 4,183	\$ -	\$ 2,679
Average Final Average Salary	\$ 3,097	\$ 2,992	\$ 3,612	\$ 4,522	\$ 5,061	\$ 5,854	\$ -	\$ 4,563
Number of Active Retirants	1	2	13	30	21	6	-	73
Total Benefits Paid								\$ 2,236,700
2005								
Average Monthly Benefit	\$ 2,212	\$ 2,131	\$ 1,583	\$ 2,556	\$ 3,179	\$ 4,132	\$ -	\$ 2,665
Average Final Average Salary	\$ 3,097	\$ 2,992	\$ 3,612	\$ 4,522	\$ 5,061	\$ 5,825	\$ -	\$ 4,563
Number of Active Retirants	1	2	13	30	21	7	-	74
Total Benefits Paid								\$2,282,571

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

SCHEDULE OF FUNDING PROGRESS

(GASB Statement No. 25)

Actuarial Valuation Date	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 % of Covered Payroll (b - 1) / c
10/01/1991	\$ 11,920,767	\$ 13,860,650	\$ 1,939,883	86.0 %	\$ 5,315,729	36.5 %
10/01/1992	14,449,561	16,093,865	1,644,304	89.8	5,842,345	28.1
10/01/1993	16,851,657	18,202,781	1,351,124	92.6	6,267,523	21.6
10/01/1994	18,112,244	19,791,032	1,678,788	91.5	6,529,063	25.7
10/01/1995	21,588,042	21,787,517	199,475	99.1	6,781,320	2.9
10/01/1996	24,322,087	23,333,375	(988,712)	104.2	6,613,181	-15
10/01/1997	27,830,337	26,226,308	(1,494,029)	105.7	7,170,493	-20.8
10/01/1998	316,671,180	28,002,012	(3,669,168)	113.1	7,837,902	-46.8
10/01/1999	35,269,226	35,447,935	178,709	99.5	7,357,096	2.4
10/01/2000	37,512,699	37,126,407	(296,292)	100.8	7,770,678	-3.8
10/01/2001	40,151,353	41,666,975	1,515,622	96.4	9,295,368	16.3
10/01/2002	39,137,722	43,860,544	4,722,822	89.2	9,383,281	50.3
10/01/2003	40,191,182	46,794,618	6,603,436	85.9	10,210,382	64.7
10/01/2004	41,494,126	49,002,461	7,508,335	84.7	10,894,352	68.9
10/01/2005	42,540,854	60,812,134	18,271,280	70.0	11,323,389	161.4

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

SCHEDULE OF CONTRIBUTIONS BY EMPLOYER AND THE STATE OF FLORIDA (GASB Statement No. 25)

Year Ended September 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
1991	\$ 615,410	\$ 686,443	111.5 %
1992	730,550	749,227	102.6
1993	796,196	802,587	100.9
1994	814,782	823,823	101.1
1995	828,505	838,018	101.1
1996	860,550	879,676	102.2
1997	623,056	654,380	105
1998	721,087	721,087	100
1999	573,310	573,310	100
2000	1,010,905	1,010,905	100
2001	916,278	933,182	101.8
2002	1,000,716	1,008,225	100.8
2003	1,317,632	1,326,496	100.7
2004	1,539,895	1,559,803	101.3
2005	1,694,795	1,694,795	100.0

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION

GASB Statement No. 25 and No. 27

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation:

Valuation Date	October 1, 2005
Contribution Rates:	
Employer (and State)	25.14%
Plan Members	14.29%
Actuarial Cost Method	Frozen Entry Age
Amortization Method	Level percent, Closed
Remaining amortization period	30 years
Asset valuation period	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.2% to 8.5% depending on age
Includes inflation and other general increases at	4.0%
Cost-of-living adjustments	2% after 5 years of retirement

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SUMMARY OF SEPARATE
MANAGEMENT GUIDELINES
FOR EACH INVESTMENT MANAGER

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SUNRISE POLICE PENSION FUND

INVESTMENT GUIDELINES

FUND OBJECTIVES

To conduct the operations of the Fund in a manner so that the assets will provide the pension and other benefits provided under applicable laws, including City ordinances, preserving principal while maximizing the rate of return to the fund.

Investment Guidelines

The investment of the Fund's assets will be sufficiently diversified as to minimize the risk of losses. Factors to be considered in diversification of investments will include but not be limited to the following: the purpose of the Fund; the amount of Fund assets; financial, industrial and economic conditions.

Types of investment may include commercial paper, savings accounts, U.S. Government securities, and bonds and equities of domestic corporations.

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation.
2. Obligations issued by the United States Government and its agencies or in obligations guaranteed as to principal and interest by the United States Government.
3. Stocks, bonds or other evidences of indebtedness issued by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided:
 - a) Equities are traded on one or more of the following recognized national exchanges:
 1. New York Stock Exchange
 2. American Stock Exchange
 3. The NASDAQ Stock Market
 - b) Not more than five percent (5%) of the market value of the Fund's total assets shall be invested in the common or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company be equal to or exceed five percent (5%) of the outstanding capital stock of the company.

c. The individual issue meets the following criteria:

- 1) All corporate debt issues (bonds, notes, and debentures) shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's or Standard and Poor's.

Any issue, if downgraded to the (4th) category by one of the ratings services must be sold within a reasonable period of time not to exceed twelve (12) months. Fixed income investments that are downgraded below the (4th) category shall be liquidated immediately.

- 2) Commercial Paper: Moody's P1 or Standard and Poor's A1.

4. Bonds issued by the State of Israel.
5. The use of unhedged and/or leveraged derivatives will not be allowed in any form.
6. The Board places great importance on risk reduction through asset and style diversification. The manager should realize that it would operate as part of a larger multi-manager allocation strategy. The manager is advised that it has been selected to perform investment services based in part on its particular investment style characteristics and the diversification benefits such style may produce in relationship to the style characteristics of other managers retained by the board. The manager should therefore endeavor to maintain a consistent style, subject at times to its full discretion and continued fiduciary obligations.
7. The Board will review performance on a quarterly basis. Normally, performance will be evaluated over a three to five year time horizon. These periods are considered sufficient to accommodate the different market cycles commonly experienced with investments, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the plan. Investment performance objectives are not the sole reason for retention or termination of a managers.
8. In addition to the above, Davis, Hamilton, Jackson & Associates is subject to the following specific guidelines:
 - a. The manager has been retained to pursue a balanced portfolio featuring a **Growth Equity** style. The manager's particular style is generally characterized by a portfolio with price to earnings and price to book ratios greater than S&P 500 Index and dividend yields lower than the S&P 500 Index.
 - b. Over a three to five year time horizon, equity performance should be equal to or greater than the return of the S&P 500 Index. At times, performance may be compared to other equity indices denoting an appropriate style bias to better explain returns. (e.g. S&P/Barra Growth, Russell 1000 Growth, etc.).

- c. Over a three to five year time horizon, equity performance should be greater than the median (50th percentile) of an appropriate equity universe. Placing above the 50th percentile is not a condition of retention.
- d. Over a three to five year time horizon, fixed income performance should be equal or greater than the return of the Lehman Intermediate Government/Credit Index.
- e. Over a three to five year time horizon, fixed income performance should be greater than the median (50th percentile) of an appropriate fixed income universe. Placing above the 50th percentile is not a condition of retention.
- f. The equity portion of the manager's portfolio shall not be exposed to risks that exceed an annual average beta coefficient of 1.30 where 1.0 is equal to the market volatility of the S&P 500 Index.
- g. The issuer of equity securities must have a publicly available operation record of at least five years, which may include past performance resulting from mergers, acquisitions, and spin-offs.
- h. No equity investments shall be made in companies with a market capitalization less than \$1 billion at the time of purchase.
- i. The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board:

Equities	55.0%
Fixed Income	45.0%
- j. The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Equities	65.0%	45.0%
Fixed Income	55.0%	35.0%
Cash	10.0%	0.0%

- 9. In addition to the above, Buckhead Capital Management (Large Cap Equity) is subject to the following specific guidelines:
 - a. The manager has been retained to pursue a portfolio featuring a **Value Equity** style. The manager's particular style is generally characterized by a portfolio with price to earnings and price to book ratios lower than the S&P 500 Index and dividend yields higher than the S&P 500 Index.

- b. Over a three to five year time horizon, equity performance should be equal or greater than the return of the S&P 500 Index. At times, performance may be compared to other equity indices denoting an appropriate style bias to better explain returns. (e.g. S&P/Barra Value, Russell 1000 Value, etc.).
- c. Over a three to five year time horizon, equity performance should be greater than the median (50th percentile) of an appropriate equity universe. Placing above the 50th percentile is not a condition of retention.
- d. The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board: 100% Equities.
- e. The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Equities	100.0%	95.0%
Cash	5.0%	0.0%

- f. The equity portion of the manager's portfolio shall not be exposed to risks that exceed an annual average beta coefficient of 1.15 where 1.0 is equal to the market volatility of the S&P 500 Index.
 - g. The issuer of equity securities must have a publicly available operation record of at least five years, which may include past performance resulting from mergers, acquisitions, and spin-offs.
 - h. No equity investment shall be made in connection with a market capitalization less than \$1 billion at the time of purchase.
10. In addition to the above, Buckhead Capital Management (Small Cap Value Equity) is subject to the following specific guidelines:
- a. The manager has been retained to pursue a portfolio featuring a **Small Cap Value Equity** style.
 - b. Over a three to five year time horizon, equity performance should be equal to or greater than the return of the Russell 2000 Value Index. At times, performance may be compared to other equity indices denoting an appropriate style bias to better explain returns.
 - c. Over a three to five year time horizon, equity performance should be greater than the median (50th percentile) of an appropriate equity universe. Placing above the 50th percentile is not a condition of retention.

- d. The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board: 100% Small Cap Value Equities.
- e. The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Small Cap Value Equities	100.0%	95.0%
Cash	5.0%	0.0%

- f. The equity portion of the manager's portfolio shall not be exposed to risks that exceed an annual average beta coefficient of 1.15 where 1.0 is equal to the market volatility of the Russell 2000 Value Index.
- g. The issuer of equity securities must have a publicly available operation record of at least five years, which may include past performance resulting from mergers, acquisitions, and spin-offs.
- h. No equity investments shall be made in companies with a market capitalization greater than \$2 billion at the time of purchase.

11. In addition to the above, Invesco is subject to the following specific guidelines:

- a. The manager has been retained to pursue a portfolio featuring a **Core Fixed Income** style.
- b. Over a three to five year time horizon, fixed income performance should be equal to or greater than the return of the Lehman Aggregate Index.
- c. Over a three to five year time horizon, fixed income performance should be greater than the median (50th percentile) of an appropriate fixed income universe. Placing above the 50th percentile is not a condition of retention.
- d. The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board: 100% Fixed Income.
- e. The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Fixed Income	100.0%	95.0%
Cash	5.0%	0.0%

OVERALL ASSET ALLOCATION

1. **Constraints.** The board believes the plan's risk and liquidity posture are, in a large part, a function of the asset class mix. The board has reviewed the long-term performance characteristics of various asset classes focused on balancing risk and rewards of market behavior. The following asset classes, as generally defined by professional investment standards, were selected:

- a. **Cash (cash equivalents)**

Domestic fixed income

Domestic large capitalization equities

Domestic small capitalization equities

- b. **Strategic Guidelines.** Based on the plan's time horizon, risk tolerance, performance expectation and asset class preference; an efficient or optimum portfolio to achieve the investment goals while diversifying assets has been identified. The strategic target asset allocation of the plan is as follows:

Large Cap Stocks	50%
Small Cap Stocks	10%
Fixed Income	40%

- c. **Management Structure.** To diversify plan assets as to minimize the risk associated with dependence on the success on one enterprise, the Pension Board has decided to employ a multi-manager team approach to investing plan assets.

The asset management structure is currently as follows:

Asset Class	Target	Minimum	Maximum
Domestic Stocks	60%	50%	70%
Buckhead Capital Management (Large Cap Value)	25%	21%	29%
Buckhead Capital Management (Small Cap Value)	10%	8%	12%
Davis, Hamilton, Jackson & Assoc. (Large Cap Growth)	25%	21%	29%
Domestic Fixed Income	40%	30%	50%
Davis, Hamilton & Assoc.	25%	20%	30%
Invesco	15%	10%	20%

2. Rebalancing

- a. Rebalancing of strategic asset allocation: if the allocation to any one asset class exceeds the guidelines, the Board will take measures to rebalance the trust assets through instructions as outlined below. When the Board gives instructions for rebalancing, it will attempt to reallocate the trust assets to percent weightings as close to the target, as outlined above, as it sees fit. Rebalancing should be completed by the end of the quarter next following the quarter for which the Performance Report was compiled.
- b. Instructions: Rebalancing is to be done first with cash flows expected within the forthcoming quarter. If there are insufficient cash flows to rebalance the fund to the Board's instructions, the Board shall effect transactions to accomplish the rebalancing. The Board will utilize the Consultant to assist in the rebalancing process.

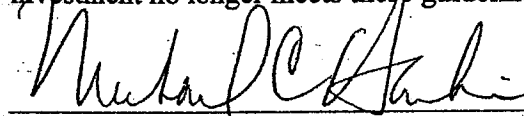
INVESTMENT MANAGER


The Trustees will select a professional Investment Manager(s), that meet(s) the definition of that term in Section 3(38) of E.R.I.S.A., who will provide the Trustees with a statement of fiduciary responsibility. The Trustees will provide that Manager(s) certain guidelines, including, but not limited to, the interest assumption necessary to support the actuarial soundness of the Plan, the cash liquidity necessary to provide monthly pensions, and the current and projected cash flow into the Fund.

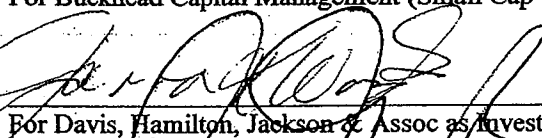
INVESTMENT REVIEW

The Trustee will monitor the Investment Manager(s) by periodically reviewing the investment portfolio and determining if the results meet with the objectives and purposes of the Plan.


The Investment Manager shall within five (5) business days, after such occurs, notify the Board if any investment no longer meets these guidelines.


For Buckhead Capital Management (Large Cap Value Equity) as Investment Manager Date 11-2-06


For Buckhead Capital Management (Small Cap Value Equity) as Investment Manager Date 11-2-06


For Davis, Hamilton, Jackson & Assoc as Investment Manager Date 11-2-06


For Livosco as Investment Manager Date 11/6/06


For the Board of Trustees, Sunrise Police Officers' Pension Fund Date 11/2/06

Adopted May 4, 2006
