Miami Beach Employees' Retirement Plan

Financial Statements
Years Ended September 30, 2008 and 2007

Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Miami Beach Employees' Retirement Plan
Table of Contents

Independent Auditors' Report 1

Management's Discussion and Analysis (Required Supplementary Information) .... 2 – 5

Financial Statements:

Statements of Plan Net Assets 6

Statements of Changes in Plan Net Assets 7

Notes to Financial Statements .... 8 – 15

Required Supplementary Information:

Schedule 1 – Schedule of Funding Progress 16

Schedule 2 – Schedule of contributions by employer and other contributing entities 16

Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Board of Trustees
Miami Beach Employees' Retirement Plan
Miami Beach, Florida

We have audited the accompanying statements of plan net assets of the Miami Beach Employees' Retirement Plan (the "Plan") as of September 30, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Miami Beach Employees' Retirement Plan as of September 30, 2008 and 2007, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 – 5 and the supplementary information as listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The required supplementary information for the years ended September 30, 2003 through 2006 was reported on by other auditors, whose report states that they did not audit this information and did not express an opinion on it.

Goldstein Schechter Koch Price Lucas Horwitz & Co., P.A.

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March 10, 2009

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Management's Discussion and Analysis
(Required Supplementary Information - unaudited)
September 30, 2008 and 2007

Our discussion and analysis of the Miami Beach Employees' Retirement Plan (the "Plan") financial performance provides an overview of the Plan's financial activities and funding conditions for the fiscal years ended September 30, 2008 and 2007. Please read it in conjunction with the Plan's financial statements, which follows this discussion.

Financial Highlights

- The Plan assets exceeded its liabilities at the close of fiscal years ended September 30, 2008 and 2007 by $363,584,796 and $429,720,685, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The decrease of $66,135,889 and the increase of $55,230,766, of the respective years have resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.

- The Plan's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension benefit liability, changed from 88.5% as of October 1, 2005 actuarial valuation to 79.8% as of October 1, 2006 valuation and 86.4% as of October 1, 2007 valuation.

- For the fiscal year ended September 30, 2008, liabilities increased by $980,797 (or 190.3%) from the fiscal year ended September 30, 2007, primarily due to an in increase in payable for securities purchased.

  For the fiscal year ended September 30, 2007, liabilities decreased by $813,845 (or 61.2%) from the fiscal year ended September 30, 2006, primarily due to a decrease in payable for securities purchased.

- For the fiscal year ending September 30, 2008 City contributions to the Plan, increased $858,314 (or 6.6%). Actual City contributions are based primarily on the actuarial valuation and were $13,911,545 and $13,053,231 for 2008 and 2007, respectively.

  For the fiscal year ending September 30, 2007 City contributions to the Plan, increased $7,552,902 (or 137.3%) based primarily on the actuarial valuation. Actual City contributions were $13,053,231 and $5,500,329 for 2007 and 2006, respectively.

- For the fiscal year ending September 30, 2008 member contributions including buybacks decreased by $4,881,982 (or 42.5%). Actual member contributions, including buybacks were $6,602,403 and $11,484,385 for 2008 and 2007, respectively. Member contributions decreased from 2007 due to the rollover of funds from 401(a) participant balances in the fiscal year ended September 30, 2007 as a result of the ordinance establishing the Miami Beach Employees' Retirement Plan by the merging the General and Unclassified Plan. Member contributions have fluctuated from year to year, based on the number of active members and increases in salaries.

Financial Highlights - continued

For the fiscal year ending September 30, 2007 member contributions including buybacks decreased by $9,380,906 (or 45.0%). Actual member contributions, including buybacks were $11,484,385 and $20,860,631 for 2007 and 2006, respectively. Member contributions decreased from 2006 due the rollover of funds from 401(a) participant balances. Member contributions have fluctuated from year to year, based on the number of active members and changes in salaries.

- For the fiscal year ending September 30, 2008, net investment income decreased by $115,310,319 (or -200.4%). Actual results were ($62,466,782) and $53,317,416 in net (depreciation) appreciation in fair value of investments for 2008 and 2007, respectively, $5,650,222 and $4,497,180 income from interest and dividends, respectively and $98,981 and $53,282 from miscellaneous income, respectively. Investment expenses increased by $274,862 (or 35.2%).

  For the fiscal year ending September 30, 2007, net investment income increased by $32,325,007 (or 128.2%). Actual results were $53,317,416 and $21,667,566 in net appreciation in fair value of investments for 2007 and 2006, respectively, and $4,947,180 and $4,298,634 income from interest and dividends, respectively. Investment expenses increased by $26,671 (or 3.5%).

- For the fiscal year ending September 30, 2008, benefit payments & refunds increased by $2,035,290 (or 7.8%).

  For the fiscal year ending September 30, 2007, benefit payments & refunds increased by $2,786,728 (or 11.9%).

- For the fiscal year ending September 30, 2008, administrative expenses decreased by $2,622 from 2007 (or 0.4%).

  For the fiscal year ending September 30, 2007, administrative expenses increased by $124,223 from 2006 (or 24.0%) due primarily to increase in payments for professional fees.

Plan Highlights

As of September 30, 2008 the total return of the Plan's portfolio was -13.3% and ranked in the top 52nd percentile of the universe of total funds, 0.4% above the benchmark return of -13.7%. Actual net (losses) returns from investments in 2008 were ($57,774,217), compared with $57,536,102 in 2007.

As of September 30, 2007 the total return of the Plan's portfolio was 15.5% and ranked in the top 22nd percentile of the universe of total funds, 1.8% above the benchmark return of 13.7%. Actual net returns from investments in 2007 were $57,536,102, compared with $25,211,095 in 2006.

Using the Audited Financial Statements

The financial statements reflect the activities of the Plan and are reported in the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. These statements are presented on a full accrual basis; reflect all Plan activities as incurred.

Management's Discussion and Analysis
(Required Supplementary Information - unaudited)
September 30, 2008 and 2007

Statement of Plan Net Assets

The table below shows a comparative summary of Plan Net Assets.

	2008	2007	2006
Cash and cash equivalents	**$ 2,634,584**	$ 6,360,027	$ 6,624,539
Receivables	**1,301,211**	1,057,005	491,916
Investments	**361,145,238**	422,819,093	368,702,749
Total assets	**365,081,033**	430,236,125	375,819,204
Liabilities	**1,496,237**	515,440	1,329,285
Net assets held in trust for pension benefits	**$ 363,584,796**	$ 429,720,685	$ 374,489,919

Statement of Changes in Plan Net Assets

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

	2008	2007	2006
Additions:			
Contributions			
Member	**$ 6,602,403**	$ 11,484,385	$ 20,865,291
City	**13,911,545**	13,053,231	5,500,329
Total contributions	**20,513,948**	24,537,616	26,365,620
Net investment (loss) income	**(57,774,217)**	57,536,102	25,211,095
Total (reductions) additions	**(37,260,269)**	82,073,718	51,576,715
Deductions:			
Benefits paid	**27,336,122**	25,589,393	23,105,121
Refund of contributions	**900,303**	611,742	309,286
Administrative expenses	**639,195**	641,817	517,594
Total deductions	**28,875,620**	26,842,952	23,932,001
Net (decrease) increase	**(66,135,889)**	55,230,766	27,644,714
Net assets held in trust for pension benefits at beginning of year	**429,720,685**	374,489,919	346,845,205
Net assets held in trust for pension benefits at end of year	**$ 363,584,796**	$ 429,720,685	$ 374,489,919

The Plan's investment activities, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns decreased from those of fiscal years ended 2008 and 2007.

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

Asset Allocation

At September 30, 2008, the domestic equity portion comprised 55.7% ($202,657,859) of the total portfolio. The allocation to fixed income securities was 34.9% ($126,901,751), while cash and cash equivalents comprised 0.7% ($2,634,585). The allocation to international equity was 8.7% ($31,585,628).

At September 30, 2007, the domestic equity portion comprised 57.7% ($247,766,400) of the total portfolio. The allocation to fixed income securities was 30.6% ($131,097,437), while cash and cash equivalents comprised 1.5% ($6,360,027). The allocation to international equity was 10.2% ($43,955,256).

The target asset allocation as of September 30, 2008 and 2007 was as follows:

Domestic equity	60%
Fixed income	33%
International equity	7%
Cash	0%

Contacting the Plan's Financial Management

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Plan finances and to demonstrate accountability for the money they receive. If you have any questions about this report or need additional financial information, contact Miami Beach Employees' Retirement Plan, 1700 Convention Center Drive, Miami Beach, Florida 33139.

Miami Beach Employees' Retirement Plan

Statements of Plan Net Assets

September 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	$ 2,634,584	$ 6,360,027
Receivables:		
Accrued interest and dividends	552,328	533,599
Member contributions receivable	214,660	209,672
Receivable for securities sold	534,223	313,734
Total receivables	1,301,211	1,057,005
Investments, at fair value:		
Common stocks	49,641,367	51,670,353
U.S. government securities	11,537,121	13,495,275
Corporate bonds and notes	22,685,137	26,606,172
Domestic equity funds	153,016,492	196,096,047
Domestic bond funds	92,429,493	90,745,990
International equity	31,585,628	43,955,256
State of Israel bond	250,000	250,000
Total investments	361,145,238	422,819,093
Total assets	365,081,033	430,236,125
Liabilities		
Accrued expenses	176,698	78,311
Payable for securities purchased	1,319,539	437,129
Total liabilities	1,496,237	515,440
Net assets held in trust for pension benefits (a schedule of funding progress for the Plan is presented on page 16)	$ 363,584,796	$ 429,720,685

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

Miami Beach Employees' Retirement Plan
Statements of Changes in Plan Net Assets
For the Years Ended September 30, 2008 and 2007

	2008	2007
Additions		
Contributions:		
Member	$ 6,602,403	$ 11,484,385
City	13,911,545	13,053,231
Total contributions	20,513,948	24,537,616
Investment income:		
Net (depreciation) appreciation in fair value of investments	(62,466,782)	53,317,416
Interest and dividend income	5,650,222	4,947,180
Miscellaneous income	98,981	53,282
Total investment (loss) income	(56,717,579)	58,317,878
Less: Investment expenses	1,056,638	781,776
Net investment (loss) income	(57,774,217)	57,536,102
Total (reductions) additions	(37,260,269)	82,073,718
Deductions		
Benefits paid	27,336,122	25,589,393
Refund of contributions	900,303	611,742
Administrative expenses	639,195	641,817
Total deductions	28,875,620	26,842,952
Net (decrease) increase	(66,135,889)	55,230,766
Net assets held in trust for pension benefits		
Beginning of year	429,720,685	374,489,919
End of year	$ 363,584,796	$ 429,720,685

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

Note 1 - Description of the Plan

Organization

The Miami Beach Employees' Retirement Plan (the "Plan") is a single employer defined benefit pension plan for general employees established by the City of Miami Beach, Florida (the "City") effective March 18, 2006. The Miami Beach Employees' Retirement System was created under and by the authority of Chapter 18691, Laws of Florida, Act of 1937, as amended, by merging the "Retirement System for General Employees of the City of Miami Beach" created by Ordinance 1901 with the "Retirement System for Unclassified Employees and Elected Officials of the City of Miami Beach" created by Ordinance 88-2603, as amended. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

Classified employees in the Plan are segregated into three unions and into a category called "Others": American Federation of State, County and Municipal Employees ("AFSCME"), Communications Workers of America ("CWA") and Government Supervisors Association of Florida ("GSAF"). Unclassified and Others employees are not represented by a bargaining unit.

The following brief description of the Plan is provided for general information purposes only. Members should refer to the Plan document for more detailed and comprehensive information.

Members

Members are all full-time employees, classified and unclassified positions, who work more than 30 hours per week except for policemen and firemen and persons who elected to join the defined contribution retirement Plan sponsored by the City.

Membership

As of October 1, membership in the Plan consisted of:

	2007	2006
Retirees and beneficiaries currently receiving benefits and terminated employee entitled to benefits but not yet receiving them	1,071	1,059
Current employees	1,061	1,018

Pension Benefits

The Plan provides for retirement benefits as well as death and disability benefits at two different tiers depending on when the members entered the Plan.

The First Tier is for members that entered the Plan prior to the Second Tier Dates. The Second Tier Dates were established when each of the unions bargained with the City to establish new guidelines for retirement benefits relating to employees associated with their Unions. The Second Tier Dates are April 30, 1993 for members of AFSCME; August 1, 1993 for those classified as Other and GSAF and February 21, 1994 for members of CWA. The Second Tier is for members that entered the Plan on or after the Second Tier Dates.

Note 1 - Description of the Plan - continued

Pension Benefits - continued

Classified members administered under the First Tier are eligible for normal retirement at age 50 and five years of Creditable Service and are entitled to benefits of 3% of Final Average Monthly Earnings ("FAME") multiplied by the first 15 years of Creditable Service plus 4% of FAME multiplied by years of service in excess of 15 years, with the total not to exceed 90% of FAME. First Tier unclassified members accrued 4% for creditable service before October 18, 1992. Unclassified First Tier members accrued 3% per year of service after October 18, 1992, with the total not to exceed 80% of FAME.

Classified and unclassified members administered under the Second Tier are eligible for Normal Retirement at age 55 and five years of creditable service and are entitled to benefits of 4% of FAME multiplied by creditable service, subject to a maximum of 80% of FAME.

For elected officials, City Manager or City Attorney, the benefit is 4% of FAME for each year of creditable service as an elected official, city manager or city attorney plus the retirement benefit as defined above for any other period of city employment, subject to a maximum of 80% of FAME.

FAME is defined as average covered salary during the two highest paid years of creditable service. For Unclassified First Tier members, FAME is defined as the larger of average covered salary during the two highest paid years of creditable service or one-twelfth of the pay of the year immediately preceding March 8, 2006.

New employees to the Plan will vest over five years.

Funding Requirements

Member Contributions:
All First Tier members who participate are required to contribute 10% of their covered salary to the Plan. All Second Tier members are required to contribute 8% of their covered salary.

City Contributions:
The City is to contribute such amounts as are necessary to maintain the actuarial soundness of the Plan and to provide the Plan with assets sufficient to meet the benefits to be paid to the members.

Any First Tier member who terminates employment may either request a refund of their own contributions plus interest, or receive their accrued benefit beginning at age 50, if at least five years of creditable service are completed, or at age 62, if less than five years of creditable service are completed. Any Second Tier member who entered on or after the Second Tier Date and who terminates employment after five years of creditable service may either request a refund of their own contributions plus interest or receive their accrued benefit beginning at age 55.

Investments

The Plan has contracts with investment managers who supervise and direct the investment of equity and fixed income securities. In addition, the Plan utilizes an investment advisor who monitors the investing activity. The investments owned are held by a custodian in the name of the Plan. The Plan provides for investments in U.S. Government securities, money market funds, bonds, notes, common stock and international securities.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are due. City contributions are recognized as revenues when due pursuant to actuarial valuations. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest and dividend income are recorded as earned.

New Accounting Pronouncements

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

Cash Equivalents

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

Investments

The fair value of quoted equity investments is based on the aggregate fair market value as of September 30, 2008 and 2007. The fair value of quoted investments is based on the closing sales price or bid price as reported by recognized security exchanges. Bonds are reported at established fair value.

Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statement of changes in plan net assets along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on a trade-date basis.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Summary of Significant Accounting Policies

Income Tax Status

The Plan is tax exempt from Federal income taxes under the Internal Revenue Code, and therefore has recorded no income tax liability or expense.

Risks and Uncertainties

Contributions to the Plan and the actuarial information included in the required supplementary information (RSI) are reported based on certain assumptions pertaining to the interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

Reclassifications

Certain reclassifications have been made to the 2007 financial statement presentation to correspond to the current year's format. Total net assets held in trust for pension benefits and net increase in net assets are unchanged due to these reclassifications.

Note 3 – Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2007, the most recent actuarial valuation date, is as follows, (dollar amounts in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/01/07	$ 412,824	$ 478,068	$ 65,243	86.4%	$59,632	109.4%

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

Additional information as of the latest actuarial valuation follows:

Valuation date:	October 1, 2007
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Dollar
Asset valuation method:	5 Year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.65%
Salary increases*	6%
COLA	2.5%
*Inflation	4.00%

Note 4 – Contributions

For the fiscal year ended September 30, 2008, the City was required to make contributions $13,911,545 (or 24.24% of covered payroll) to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2006.

For the fiscal year ended September 30, 2007, the City was required to make contributions of $4,415,158 (or 17.08% of covered payroll) and $1,903,883 (or 17.57% of covered payroll), to the former Retirement system for Unclassified Employees and former Retirement System for General Employees Plans, respectively, in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2005. On February 28, 2006 an actuarial impact statement was performed which increased the required employer contributions of the City for the Plan by $6,734,190 or 12.72% of combined payroll.

For the fiscal year ended September 30, 2008 and 2007, actual employee contributions were $5,708,269 and $9,526,565, respectively and buybacks were $894,134 and $1,957,820, respectively. On March 8, 2006, an ordinance was passed establishing the Miami Beach Employees' Retirement Plan by the merging the General and Unclassified Plan. Participants of the City's defined contribution plan were allowed to make a one-time irrevocable election to enter the Plan by rolling over their balances into the Plan. The ordinance also, provided for the buy-back up to two years of service at 10% of annual pay for each year.

Note 5 – Deposit and Investment Risk Disclosures

<u>Investment Authorization</u>

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

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 70% (at market) of the Plan's total asset value with no more than 5% of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks of foreign companies shall be limited to 10% (at cost) of the value of the portfolio.

The fixed income portfolio shall be comprised of securities rated "BBB" or higher by Standard & Poors rating services with no more than 5% of an investment manager's total fixed income portfolio invested in the securities of a single corporate issuer.

Note 5 – Deposit and Investment Risk Disclosures - continued

Types of Investments

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target allocation of these investments at market is as follows:

Authorized investments	Target % of portfolio
Domestic equities	56%
Fixed income	35%
International equities	9%

Interest Rate Risk

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

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity at September 30, 2008 and 2007.

2008

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. treasuries	**$ 5,905,353**	**$ -**	**$ 1,866,497**	**$ 1,798,770**	**$ 2,240,086**
U.S. agencies	**5,631,768**	**-**	**1,909,133**	**950,303**	**2,772,332**
Corporate bonds and notes	**22,685,137**	**1,102,924**	**6,164,529**	**5,170,436**	**10,247,248**
Bond funds	**92,429,493**	**-**	**27,657,257**	**64,772,236**	**-**
State of Israel	**250,000**	**-**	**-**	**250,000**	**-**
	$ 126,901,751	**$ 1,102,924**	**$ 37,597,416**	**$72,941,745**	**$ 15,259,666**

2007

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	$ 3,694,190	$ -	$ -	$ 1,233,714	$ 2,460,476
U.S. agencies	9,801,085	-	1,727,487	665,387	7,408,211
Corporate bonds and notes	26,606,172	754,554	8,400,858	6,897,068	10,553,692
Bond funds	90,745,990	-	-	26,031,023	64,714,967
State of Israel	250,000	-	250,000	-	-
	$ 131,097,437	$ 754,554	$ 10,378,345	$34,827,192	$ 85,137,346

Note 5 – Deposit and Investment Risk Disclosures - continued

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following table discloses credit ratings by investment type, at September 30, 2008 and 2007.

	2008		2007	
	Fair Value	**Percent of Portfolio**	Fair Value	Percent of Portfolio
U.S. Government guaranteed	$ 11,537,121	9.10%	$ 13,495,275	10.29%
Quality rating of credit risk debt securities:				
AAA	$ 36,652,761	28.88%	$ 89,972,029	68.63%
AA+	-	-	126,239	0.10
AA	65,071,163	51.27	2,895,129	2.21
AA-	1,353,735	1.07	1,645,602	1.26
A+	1,897,343	1.50	2,669,821	2.04
A	2,115,372	1.67	5,889,833	4.49
A-	1,589,105	1.25	983,099	0.75
BBB+	2,514,000	1.98	7,592,719	5.79
BBB	3,201,000	2.52	3,795,253	2.89
BBB-	930,501	0.73	645,018	0.49
BB+	-	-	511,771	0.39
D	39,650	0.03	-	-
Unrated	-	-	875,649	0.67
Total credit risk debt securities	$ 115,364,630	90.90%	$ 117,602,162	89.71%
Total fixed income securities	$ 126,901,751	100.00%	$ 131,097,437	100.00%

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

Note 5 – Deposit and Investment Risk Disclosures - continued

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net assets at September 30, 2008 and 2007.

Custodial Credit Risk

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Trust and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name. All of the Plan's deposits are insured and or collateralized by a financial institution separate from the Plan's depository financial institution.

Note 6 – Subsequent Events

Subsequent to September 30, 2008, there have been significant negative economic developments surrounding overall market liquidity, credit availability and collateral values. The results of these developments have led to broad declines in investment values. The Plan invests in various diversified types of securities, and these securities may have been impacted, perhaps significantly, from these events.

Required Supplementary Information

Schedule "1" – Schedule of Funding Progress – (dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/1/02	$ 322,181	$ 319,831	$ (2,350)	100.7%	$ 30,351	(7.7)%
10/1/03	320,053	338,904	18,851	94.4	34,489	54.7
10/1/04	320,736	352,105	31,369	91.1	34,619	90.6
10/1/05	325,727	368,096	42,369	88.5	36,680	115.5
10/1/06	358,459	448,933	90,585	79.8	57,391	157.6
10/1/07	412,824	478,067	65,243	86.4	59,632	109.4

Schedule "2" – Schedule of Contributions by Employer and Other Contributing Entity

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2003	$ 1,226,457	100%
2004	2,476,702	100
2005	5,082,595	100
2006	5,500,329	100
2007	12,234,519*	100
2008	13,911,545	100

*February 28, 2006 actuarial impact statement

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