

**CITY OF FORT LAUDERDALE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the City of Fort Lauderdale, Florida (the City) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) applicable to governmental units. The following is a summary of the more significant accounting policies of the City:

(A) The Financial Reporting Entity

The City was incorporated in the State of Florida in 1911 and covers an area of approximately 36 square miles. The City is governed by an elected five-member commission composed of a Mayor and four District Commissioners and provides services to its approximately 175,300 residents in many areas, including law enforcement, community enrichment and development and various human services. As required by GAAP, these financial statements present the City of Fort Lauderdale (the primary government) and its component units. The component units discussed in note 1(B) below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

(B) Individual Component Unit Disclosure

The criteria for including component units consists of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

The Fort Lauderdale Community Redevelopment Agency (CRA) is governed by a five-member board appointed by the City Commission (currently composed of the City Commission, itself). Although it is legally separate from the City, the CRA is reported as part of the primary government because its sole purpose is to finance and redevelop the City's designated redevelopment areas. The CRA is reported within the special revenue fund type using the blended method. Separate financial information for the CRA can be obtained from the City's Economic Development department.

The Sunrise Key Safe Neighborhood Improvement District (SK) is governed by a seven-member board appointed by the City Commission. While legally separate from the City, it is reported as part of the reporting entity under the discretely presented method because the City's elected officials are financially accountable for SK. The City Commission has the power to approve, disapprove or modify the budget and millage rates or assessments submitted by the board. Separate financial information can be obtained from SK.

(C) Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not significantly

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extend beyond making the appointments. The City Commission appoints the governing board of the City of Fort Lauderdale Downtown Development Authority (DDA) and the Housing Authority of the City of Fort Lauderdale (HA). The City is not financially accountable for either the DDA or HA.

The City Commission approves the budget and assessments submitted by the Lauderdale Isles Water Control District, another related organization, but it does not appoint its board members nor is it financially accountable for the District.

(D) Joint Ventures

The City is a participant with the Performing Arts Center Authority (PACA) and the DDA in a joint venture to own and operate the 950 space Arts and Science District Parking Garage. The City has an ongoing financial interest in this joint venture which is discussed in note 8.

(E) Government-wide and Fund Financial Statements

The government-wide financial statements, including the *statement of net assets* and the *statement of activities*, report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from the statements. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely extensively on fees and charges for support. Likewise, the City's primary government is reported separately from its legally separate component unit for which the City is financially accountable.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

(F) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary, except agency, fund financial statements. Agency funds have no measurement focus but follow the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, i.e., measurable and available to finance the City's operations. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recognized in the accounting period in which the related fund liabilities are incurred, if measurable, except for interest on long-term debt and the long-term portion of accumulated compensated absences and longevity pay, which are recognized when due.

Property taxes are recorded as revenues in the fiscal year levied, provided they are collected in the current period or within sixty days thereafter. Those remaining uncollected are recorded as deferred revenues. The major utility and franchise taxes are recorded as revenues when earned. Licenses and permits, fines and forfeitures, charges for services, and other revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recorded as revenue when earned. Special assessments are recorded as revenues only to the extent that individual installments are considered available.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if susceptible to accrual.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in a separate fund.

The Intergovernmental Revenue Fund accounts for revenues from Federal, State and local governments restricted to expenditure for specific current operating purposes or the acquisition of capital assets.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the City and surrounding areas.

The Sanitation Fund accounts for the provision of solid waste disposal services to City residents.

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Additionally, the City reports the following fund types:

Internal service funds account for the financing of goods and services provided to departments within the City in the following three areas: 1) costs of insuring the City in the areas of general liability, auto liability, workers' compensation, police professional liability, employee relations and medical benefits; 2) communications and print center operations; and 3) operation of a maintenance facility for City vehicles.

Pension trust funds account for the activities of the General Employees' Retirement System and the Police and Firefighters Retirement System which accumulate resources for pension benefit payments to qualifying City employees.

The Arts and Science District Garage Agency Fund accounts for the assets and liabilities held by the City for the District's parking garage.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for business activities and enterprise funds subject to this same limitation. The City has chosen not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and charges between the City's enterprise funds and the General Fund as well as cost reimbursement transactions between the enterprise funds and various other functions of City government. Elimination of these charges would distort the direct costs and program revenues reported for those sectors.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer, Sanitation and Parking System funds and all the internal service funds are charges to customers for sales and services. The Sanitation fund also collects operating fees from private collectors and the Parking System fund collects fines for parking citations. The City Insurance fund bills the other funds to cover insurance premiums and claims. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of the basic financial statements in conformity with GAAP requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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(G) Assets, Liabilities and Net Assets or Equity

(1) Cash and Cash Equivalents

The City considers cash on hand, cash with fiscal agents, demand deposits, certificates of deposit and bank repurchase agreements as cash and cash equivalents. In addition, each fund's equity in the City's investment pool has been treated as a cash equivalent since cash may be deposited or withdrawn from the pool at any time without prior notice or penalty.

(2) Investments

Investments are stated at fair value. Income from investments held by the individual funds is recorded in the respective fund as it is earned. All other investments owned by the City are accounted for in the City's investment pool. Income earned from this pool is allocated to the respective funds based upon average monthly equity balances.

(3) Receivables and Payables

Activity between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year of a short-term nature and any other outstanding balances between funds are reported as due to and due from other funds. The long-term portion of any borrowings between funds is reported as advances to and from other funds. Long-term advances of the governmental funds are recorded by the advancing fund as a receivable and a reservation of fund balance. Repayments reduce the corresponding receivable and the reserve. Any residual outstanding balances between the governmental activities and business-type activities at year-end are reported in the government-wide financial statements as internal balances.

All accounts and notes receivable are reported net of any allowances for uncollectibles.

(4) Inventories

Inventories in the governmental funds are composed of land held for redevelopment or resale and are stated at cost. Inventories of materials and supplies in the enterprise funds are based on year-end physical counts priced at weighted average cost. Inventories are recognized as expenditures or expenses when consumed.

(5) Restricted Assets

Certain proceeds of long-term bonds issued by the capital project, enterprise and internal service funds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net assets and their use is limited by applicable bond covenants.

(6) Capital Assets

Capital assets, including land, buildings, improvements other than buildings, infrastructure (i.e., roads, bridges, street lighting and other similar items) and equipment are reported in the applicable governmental and business-type activities columns in the

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government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of \$1,000 or more and an estimated useful life of more than one year. Such assets are stated at cost or estimated historical cost. Contributions or donations of capital assets received from Federal, state or local sources are recorded as contributions when received and are stated at estimated fair value. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Interest is capitalized in the enterprise funds on projects during the construction period based upon average accumulated project expenditures.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40-50 years
Improvements	20-50 years
Infrastructure	15-50 years
Equipment	3-15 years

The City follows the requirements of GASB Statement No. 42 – Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries regarding potential impairment of capital assets.

**(7) Employee Compensated Absences and Longevity**

City employees are granted sick, vacation and longevity pay in varying amounts based on length of service. Compensatory time is granted to employees in lieu of overtime pay at the employee's request. Sick leave payments to terminated employees are based on length of service. Unused vacation pay and compensatory time are paid upon an employee's termination. Longevity pay is paid to eligible employees annually based on length of service. Accumulated compensated absences and longevity are recorded as expenses in the government-wide and proprietary fund financial statements when earned. Expenditures for accumulated compensated absences and longevity have been recorded in the governmental funds only for amounts payable to employees who have terminated as of the end of the fiscal year.

**(8) Estimated Insurance Claims Payable**

The City is self-insured for general liability, automobile liability, police professional liability, workers' compensation, employee relations and certain death benefits and medical plans. The operating funds are charged premiums by the City insurance internal service fund. The accrued liability for estimated claims represents an estimate of the eventual loss on claims arising prior to year-end including claims incurred and not yet reported.

**(9) Landfill Closure Costs**

Landfill closure and postclosure care costs represent an estimate of the City's share of total current costs to close and monitor the City's landfill. The landfill is accounted for in the Sanitation enterprise fund.

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(10) Other Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities and proprietary fund financial statements. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as deferred charges.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(11) Fund Balance and Net Assets

In the governmental funds, reservations of fund balances are reported to indicate that portion of fund balance that is legally segregated for specific purposes. Designations indicate tentative managerial plans or intent to use financial resources in a future period. Undesignated fund balance indicates the portion of fund balance that is available for future use.

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt consists of capital assets reduced by the outstanding debt issued to acquire, construct or improve those assets. Restricted net assets have third party limitations on their use.

(H) Change in Accounting Principle

Effective October 1, 2001 the City adopted the new financial reporting requirements of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". At that time infrastructure assets were included in the statement of net assets prospectively. Effective October 1, 2005 major general infrastructure assets acquired or constructed between October 1, 1979 and September 30, 2001 have been retroactively included in these financial statements net of accumulated depreciation. As a result, beginning net assets for governmental activities has been increased by \$3,818,520.

(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

- (A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

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The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. The details of this \$119,897,735 difference are as follows:

Bonds payable	\$ 75,663,000
Notes payable	19,145,000
Capital lease obligations	1,055,495
Compensated absences and longevity pay	21,504,474
Accrued interest payable	553,348
Deferred debt issuance costs	(632,894)
Unamortized bond discount	(248,411)
Unamortized gains and losses on advance refunding of bonds	(959,693)
Elimination of investment in special assessment loan	<u>3,817,416</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$ <u>119,897,735</u>

(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net assets – governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$14,340,396 difference are as follows:

Capital outlay	\$ 24,081,156
Depreciation expense	<u>(9,740,760)</u>
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net assets – governmental activities	\$ <u>14,340,396</u>

Another element of that reconciliation states that the net effect of various miscellaneous transactions involving capital assets is to decrease net assets. In the statement of activities, only the gain on the sale or loss from impairment of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the capital assets \$(818,910).

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$11,474,601 difference are as follows:

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Principal repayments	
Bonds payable	\$ 8,233,000
Notes payable	5,071,393
Capital lease obligations	663,984
Debt issued	
Debt proceeds	<u>(2,493,776)</u>
Net adjustment to decrease net changes in fund balance – total governmental funds to arrive at changes in net assets – governmental activities	\$ <u>11,474,601</u>

Another element of the reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$(107,219) difference are as follows:

Accrued interest payable	\$ 96,993
Amortization of deferred debt issuance costs	( 81,054)
Amortization of bond discounts	( 34,428)
Amortization of gains and losses on advance refunding of bonds	( 155,441)
Compensated absences and longevity pay	<u>66,711</u>
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net assets – governmental activities	\$ <u>( 107,219)</u>

**(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**(A) Budgetary Data**

The City Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to August 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted.
- (3) Prior to October 1, the budget is legally enacted.
- (4) The level of control (level at which expenditures may not exceed budget) is the department. The City Manager is authorized to transfer budgeted amounts within departments of any fund. Any revisions that alter the total expenditures of any department must be approved by the City Commission. Unencumbered balances of appropriations lapse at year-end.
- (5) Annual budgets are adopted for all governmental and proprietary funds except the Intergovernmental Revenue, Florida Housing Finance Corporation and Law Enforcement Confiscated Property special revenue funds and the capital project funds. The original and final budgets include re-appropriated encumbrances of the prior year. The budgets have been adopted on a basis consistent with GAAP with the following exceptions: Budgetary expenditures include GAAP expenditures adjusted for encumbrances at September 30, 2006 and principal on the long-term debt of proprietary funds.

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The reported budgetary data represents the final approved budget after amendments adopted by the City Commission with one exception. Budgets for grants and shared revenues from other governmental units which do not lapse at year-end are only reported to the extent of revenues recognized and expenditures incurred for the current year. Individual amendments were not material in relation to the original adopted budget.

(B) Comparison of Budget to Actual Results

As discussed above, certain adjustments are necessary to compare actual data on a GAAP versus budget basis. Adjustments necessary to compare the fund balances of the General Fund at year-end follow:

Statement of revenues, expenditures and Changes in fund balances – page 16	\$ 49,854,428
Basis of accounting adjustments Encumbrances	<u>( 4,186,137)</u>
Statement of revenues, expenditures and Changes in fund balances – budget and actual – page 20	\$ <u>45,668,291</u>

(4) CASH AND CASH EQUIVALENTS AND INVESTMENTS:

The City maintains a common cash and investment pool for use by all funds. In addition, cash and investments are separately held by the City's special revenue, debt service, capital projects, enterprise and trust funds.

Section 218.415, Florida Statutes limits the types of investments that the City can invest in unless specifically authorized in the City's investment policy. On September 4, 2001, the City Commission formally adopted an investment policy pursuant to that statute, establishing permitted investments, asset allocation limits and issuer limits, credit rating requirements and maturity limits to protect the City's cash and investments.

The City's investment policy allows for the purchase of the following investments: Florida State Board of Administration Local Government Surplus Funds Trust Fund (Florida SBA Local Government Investment Pool), U.S. Government Securities, U.S. Government agency securities, interest bearing time deposits and saving accounts, repurchase agreements, commercial paper, corporate notes, bankers' acceptances, state or local government taxable or tax exempt debt, City of Fort Lauderdale debt obligations, registered and investment companies (mutual funds including money market funds), and intergovernmental investment pools.

The governing boards of the City's Cemetery Perpetual Care permanent fund and the Police and Fire and General Employees pension trust funds have adopted more specific individual investment policies described in more detail below, authorizing those funds to invest in corporate stocks, money market funds, real estate and mortgages and notes, in addition to those investments listed above.

Cash and Cash Equivalents

GASB Statement No. 40, "Deposit and Investment Risk Disclosures" requires governments to disclose deposits and investments exposed to custodial credit risk. For deposits, this is the risk that, in the event of the failure of a depository financial institution, a government may not be able to

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recover deposits nor be able to recover collateral securities that are in the possession of an outside party.

At September 30, 2006 the carrying amount of the City's deposits was \$7,617,485 with a bank balance of \$17,383,222. Of the bank balance, \$279,557 was covered by Federal depository insurance and \$17,103,665 was insured via participation by the bank in the Florida Security for Public Deposits Act as required by Section 280, Florida Statutes. Included in the carrying amount of deposits was \$62,809 cash on hand.

Investments

The City's investment holdings are organized into six portfolios. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", all investments are reported at fair value. The value of the City's investment in the Florida SBA Local Government Investment Pool, which is not Securities and Exchange Commission (SEC) registered but which qualifies as an SEC 2a7-like pool, is the same as the pool's share price, and is reported at amortized cost. This investment pool was created by Section 218.405, Florida Statutes, and operates under investment guidelines established by Section 215.47, Florida Statutes. At September 30, 2006, the City's balance in this investment pool was \$265,291,315. The investment pool had an average of 49 days to maturity on that date.

All investments are also reported in accordance with GASB Statement No. 40 requiring brief descriptions of investment policies and the disclosure of common deposit and investment risks, including Interest Rate Risk, Credit Risk, Custodial Credit Risk, Concentration of Credit Risk, and Foreign Currency Risk. Compositions of the six portfolios as of September 30, 2006 follow:

Portfolio No. 1            Surplus Funds Pooled Investments, \$305,458,093

The pooled investments portfolio consists of investments in U.S. Government securities, U.S. Government agency securities, municipal bonds, and corporate bonds and the Florida SBA Local Government Investment Pool. Interest receivable on this portfolio at September 30, 2006 was \$688,445.

The following proceeds remaining from several long-term debt issues are a part this portfolio. All of these funds are invested in the Florida SBA Local Government Investment Pool, which is in compliance with each individual issue's investment requirements.

1997 General Obligation Bonds	\$ 2,499,153
1998 Sunshine State Loan	128,122
1998C Excise Tax Bonds	3,055,597
2002 FIFC Construction Loan	2,567,366
2004 Tax Increment Revenue Bonds, AMT	3,187,621
2004 Tax Increment Revenue Bonds, Non-AMT	<u>10,920,866</u>
	<u>\$ 22,358,725</u>

Portfolio No. 2            Water & Sewer Revenue Bond Proceeds, \$10,329,462

This portfolio includes proceeds from 2003 and 2006 Water & Sewer Revenue Bond Issues. At September 30, 2006, funds were invested in the Florida SBA Local Government Investment Pool. Investment of these funds is governed by Resolution No. 03-30 of the City Commission of the City

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of Fort Lauderdale, Florida, which provides that bond funds shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State of Florida. Additionally, monies on deposit in the sinking fund and construction funds may be invested and reinvested in securities maturing not later than the date on which the monies are needed. There was no interest receivable on this portfolio at September 30, 2006.

Portfolio No. 3            2005 General Obligation Bond Proceeds, \$20,756,743

The 2005 general obligation bond proceeds are invested in the Florida SBA Local Government Investment Pool. The 2005 general obligation bond proceeds are governed by City Ordinance No. 05-87, which states that bond funds may be invested by the City in such investments as are permitted by applicable law. There was no interest receivable on this portfolio at September 30, 2006.

Portfolio No. 4            Cemetery Perpetual Care Funds, \$15,684,848

Investments permitted by this fund's investment policy include U.S. Government securities, U.S. Government guaranteed obligations, the Florida SBA Local Government Investment Pool, commercial paper, bankers acceptances, corporate bonds or notes, state or local government taxable or tax-exempt debt, intergovernmental investment pools, common and preferred stocks from domestic and foreign corporations, repurchase agreements composed of permitted instruments, real estate and real estate securities, and high yield bond mutual funds, and other mutual funds and co-mingled Common Trust Funds investing in permitted instruments, including money-market funds.

As of September 30, 2006 this portfolio consists of investments in U.S. Government securities, U.S. Government agency securities, money market funds, corporate obligations, and common and preferred stock. Interest receivable on this portfolio at September 30, 2006 was \$101,928.

Portfolio No. 5            Police & Fire Retirement System Fund, \$434,292,588

Investments permitted by this fund's investment policy include equity securities and fixed income securities including cash, U.S. Government and agency securities, marketable corporate obligations, Government National Mortgage Association loans, U.S. Government agency collateralized mortgage-backed securities, debentures, preferred stocks, commercial paper, certificates of deposit and other such instruments deemed prudent by the investment manager. Also permitted are other co-mingled vehicles invested in permitted investments.

As of September 30, 2006 investments of this portfolio include U.S. Government securities, U.S. Government agency securities, money market funds, corporate obligations, municipal bonds and common stock. Interest receivable on this portfolio at September 30, 2006 was \$836,423.

Portfolio No. 6            General Employees' Retirement System Fund, \$317,584,578

Investments permitted by this fund's investment policy include the Florida SBA Local Government Investment Pool, U.S. Government securities, U.S. Government agency securities, common and preferred stocks from domestic and foreign corporations, repurchase agreements, commercial paper, corporate obligations, banker's acceptances, state or local government taxable or tax exempt debt, real estate and real estate securities, money market funds invested in permitted securities and intergovernmental investment pools.

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As of September 30, 2006 this portfolio consists of investments in U.S. Government securities, U.S. Government agency securities, money market funds, corporate obligations, common stock and real estate. Interest receivable on this portfolio at September 30, 2006 was \$1,123,364.

Interest Rate Risk

GASB Statement No. 40 requires governments to disclose information about the interest rate risk of their debt investments by using one of several specified disclosure methods. The City utilizes “duration” and “weighted average maturity” as measurements of interest rate risk for fixed income securities. The city’s policies relating to interest rate risk are detailed in the city’s investment policy documents. Investments in Portfolio No. 1 at September 30, 2006 included 12 callable U.S. Government agency securities with a total market value of \$14,814,411. The following table illustrates the interest rate risk of the City’s debt investments:

Portfolio No. 1 <u>Surplus Funds Pooled Investments</u>	Fair <u>Value</u>	Weighted <u>Average Maturity</u>
U.S. Government Securities	\$ 23,722,606	1.96
U.S. Government Agency Securities	38,686,619	2.27
Corporate Obligations	7,663,330	1.51
Municipal Debt	992,160	0.92

Portfolio No. 2  
2003 Water & Sewer Revenue Bonds Proceeds  
 (No debt investments)

Portfolio No. 3  
2005 General Obligation Bonds Proceeds  
 (No debt investments)

Portfolio No. 4 <u>Cemetery Perpetual Care Funds</u>	Fair <u>Value</u>	Weighted <u>Average Maturity</u>
U.S. Government Securities	\$ 1,253,010	5.96
U.S. Government Agency Securities	3,058,232	2.91
Corporate Obligations	2,972,174	4.58

Portfolio No. 5 <u>Police &amp; Fire Retirement System Fund</u>	Fair <u>Value</u>	<u>Duration</u>
Agincourt Bond Fund (aggregate)	\$ 82,529,140 *	4.61
Mellon Bond Index Fund	85,229,476 *	4.65

Portfolio No. 6 <u>General Employees' Retirement System Fund</u>	Fair <u>Value</u>	Weighted <u>Average Maturity</u>
Debt Investments (aggregate)	\$ 73,660,509 *	6.00

\* The Agincourt Bond Fund and the Mellon Bond Index Fund in Portfolio No. 5 and the aggregate Debt Investments of Portfolio No. 6 include U.S. Treasury securities, U.S. Government agency securities and corporate obligations. The Agincourt Bond Fund also includes other bonds.

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Credit Risk

GASB Statement No. 40 requires that governments provide information about the credit risk associated with their investments by disclosing the credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations. The city's policies relating to credit risk are detailed in the city's investment policy documents. Unless there is information to the contrary, 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 require disclosure of credit quality.

The City's public funds checking accounts with a bank balance of \$17,383,222 were deposited in a qualified public depository, as required by Section 280, Florida Statutes.

Portfolio No. 1            Surplus Funds Pooled Investments

The City investment policy for this portfolio provides for the following investments which are limited to credit quality ratings from nationally recognized rating agencies as follows:

- (A) Commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's Investor Service and "A-1" by Standard & Poor's (prime commercial paper). If the commercial paper is backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated "A" or better by at least two nationally recognized rating agencies.
- (B) Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "Aa" by Moody's Investor Service and a minimum long term debt rating of "AA" by Standard & Poor's.
- (C) Bankers' acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's Investor Service and "A-1" by Standard & Poor's.
- (D) State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's Investor Service and "AA" by Standard & Poor's for long-term debt, or rated at least "MIG-2" by Moody's Investor Service and "SP-2" by Standard & Poor's for short-term debt.

As of September 30, 2006, the City's investments in corporate notes had the following ratings: \$4,416,686 rated AAA by Standard & Poor's; \$5,161,984 rated Aaa by Moody's Investor Service; \$1,443,620 rated AA by Standard & Poor's; \$1,601,010 rated Aa1 by Moody's Investor Service; \$2,714,157 rated AA- by Standard & Poor's; and \$1,539,491 rated Aa2 by Moody's Investor Service.

The City's \$234,205,110 investment in the Florida SBA Local Government Investment Pool was unrated as of September 30, 2006.

As of September 30, 2006 all remaining investments in this portfolio subject to credit risk were rated AAA by Standard & Poor's and Aaa by Moody's Investor Service.

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Portfolio No. 2            Water & Sewer Revenue Bond Proceeds

The \$10,329,462 invested in the Florida SBA Local Government Investment Pool was unrated as of September 30, 2006.

Portfolio No. 3            2005 General Obligation Bond Proceeds

The \$20,756,743 investment in the Florida SBA Local Government Investment Pool was unrated as of September 30, 2006.

Portfolio No. 4            Cemetery Perpetual Care Funds

This portfolio's investment policy requires investments in corporate bonds or notes to be rated A or better by a nationally recognized rating service. At September 30, 2006, \$52,468 of GTE Corp Corporate Bonds were rated BAA1 by Moody's Investor Service and were rated A by Standards & Poor's. All other investments met the policy's requirement at September 30, 2006.

Portfolio No. 5            Police & Fire Retirement System Fund

As permitted by GASB Statement No. 40, this portfolio manages interest rate risk and credit risk in the aggregate by asset class. The portfolio includes two investment grade core bond portfolios, one managed by Agincourt that has a duration of 4.61 and an average rated credit quality equivalent to Moody's Investor Service rating Aa, and the other managed by Mellon with a duration of 4.65 and an average rated credit quality equivalent to Moody's Investor Service rating Aa. Other fixed income securities are limited to U.S. Treasury securities and U.S. Government agency securities.

Portfolio No. 6            General Employees' Retirement System Fund

This portfolio's investment policy requires investments in corporate bonds or notes to be rated A or better by a nationally recognized rating service. All of these investments met this requirement at September 30, 2006.

Custodial Credit Risk

GASB Statement No. 40 requires governments to disclose deposits and investments exposed to custodial credit risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of September 30, 2006, all of the City's investment portfolios were held with third-party custodians as required by the City's investment policy.

Concentration of Credit Risk

GASB Statement No. 40 requires disclosure of investments in any one issuer that represent 5 per cent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Below is a chart showing concentration of credit risk.

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Portfolio No. 1 <u>Surplus Funds Pooled Investments</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
Florida SBA Local Government Investment Pool	\$ 234,205,110	76.7%	21.2%
U.S. Government Securities	23,722,606	7.8%	2.1%
U.S. Government Agency Securities	38,686,619	12.6%	3.5%
Corporate Obligations	7,663,330	2.5%	0.7%
Municipal Debt	992,160	0.3%	0.1%
Money Market Mutual Funds	188,268	0.1%	0.0%
	<u>\$ 305,458,093</u>	<u>100.0%</u>	<u>27.6%</u>

Portfolio No. 2 <u>2003 Water &amp; Sewer Revenue Bond Proceeds</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
Florida SBA Local Government Investment Pool	\$ 10,329,462	100.0%	0.9%
	<u>\$ 10,329,462</u>	<u>100.0%</u>	<u>0.9%</u>

Portfolio No. 3 <u>2005 General Obligation Bond Proceeds</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
Florida SBA Local Government Investment Pool	\$ 20,756,743	100.0%	1.9%
	<u>\$ 20,756,743</u>	<u>100.0%</u>	<u>1.9%</u>

Portfolio No. 4 <u>Cemetery Perpetual Care Funds</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
U.S. Government Securities	\$ 1,253,010	8.0%	0.1%
U.S. Government Agency Securities	3,058,233	19.5%	0.3%
Corporate Obligations	2,972,174	18.9%	0.3%
Money Market Funds	2,069,071	13.2%	0.2%
Common Stock	4,581,398	29.2%	0.4%
Preferred Stock	1,750,962	11.2%	0.2%
	<u>\$ 15,684,848</u>	<u>100.0%</u>	<u>1.5%</u>

Portfolio No. 5 <u>Police &amp; Fire Retirement System Fund</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
U.S. Government Securities	\$ 4,491,963	1.0%	0.4%
U.S. Government Agency Securities	37,537,997	8.6%	3.4%
Corporate Obligations	26,372,019	6.1%	2.4%
Other Bonds	14,127,161	3.3%	1.3%
Bond Index Funds	85,229,476	19.6%	7.7%
Common Stock	266,533,972	61.4%	24.1%
	<u>\$ 434,292,588</u>	<u>100.0%</u>	<u>39.3%</u>

Portfolio No. 6 <u>General Employees' Retirement System Fund</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
U.S. Government Securities	\$ 5,256,724	1.7%	0.5%
U.S. Government Agency Securities	55,979,028	17.6%	5.1%
Corporate Obligations	12,424,758	3.9%	1.1%
Money Market Funds	16,445,611	5.2%	1.5%
Common Stock	224,484,760	70.7%	20.2%
Real Estate	2,993,697	0.9%	0.2%
	<u>\$ 317,584,578</u>	<u>100.0%</u>	<u>28.6%</u>

Total of All Portfolios, No. 1 through No. 6	<u>\$ 1,104,106,312</u>		<u>100%</u>
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Portfolio No. 1 has 12.6% of its investments in U. S. Government Agency Securities. Portfolio No. 4 has 19.5% of its investments in U. S. Government Agency Securities. Portfolio No. 5 has 8.6% of its investments in U. S. Government Agency Securities, and Portfolio No. 6 has 17.6% of its investments in U. S. Government Agency Securities.

None of the city's investments are with any applicable single issuer that represents 5% or more of the total of all of the city's six portfolios.

Foreign Currency Risk

GASB Statement No. 40 requires governments to disclose deposits or investments exposed to foreign currency risk, the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

None of the City's deposits or investment portfolios had exposure to foreign currency risk at September 30, 2006.

(5) PROPERTY TAXES:

The City's property tax is levied, becomes a lien on real and personal property located in the City and is recorded as a receivable on November 1 of each year based upon the assessed value listed as of the prior January 1. Assessed values are established by the Broward County Property Appraiser. The assessed value at January 1, 2005, upon which the 2005-06 levy was based, was approximately \$23.7 billion.

The City is permitted by state law to levy taxes up to 10 mills of assessed valuation for General Fund operations exclusive of voted debt levies. Taxes levied for the General Fund for the 2005-06 fiscal year were 5.0924 mills for operations and 0.3389 for debt service.

All taxes are due from property holders on March 31, become delinquent on April 1 and become subject to the issuance of tax sale certificates on June 1. Current tax collections for the year ended September 30, 2006 were approximately 99.2% of the total tax levy.

(6) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Individual interfund receivable and payable balances at September 30, 2006 follow:

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	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Due To Other Funds- Restricted</u>
<u>Governmental Funds</u>			
Intergovernmental Revenue Fund	\$ 0	6,036,407	0
Non-Major Governmental Funds			
General Capital Projects Fund	348,038	0	0
Perpetual Care Fund	0	0	348,038
	<u>348,038</u>	<u>6,036,407</u>	<u>348,038</u>
<u>Enterprise Funds</u>			
Water and Sewer Fund	<u>9,179,572</u>	<u>0</u>	<u>0</u>
	<u>9,179,572</u>	<u>0</u>	<u>0</u>
<u>Fiduciary Funds</u>			
General Employees Pension Fund	0	805,522	0
Police and Fire Pension Fund	0	2,337,643	0
	<u>0</u>	<u>3,143,165</u>	<u>0</u>
	<u>\$ 9,527,610</u>	<u>9,179,572</u>	<u>348,038</u>

The Intergovernmental Revenue Fund payable to the General Fund of \$6,036,407 represented a short-term borrowing that will be repaid in FY2007 using grant receipts. The payables to the Water and Sewer fund from the pension trust funds totaling \$3,143,165 were for operating expenses of the funds paid by the City that were reimbursed from the pension trusts in October 2006. The amounts due to the capital projects funds are to fund related facilities being constructed and will be liquidated as cash is needed to meet contractor obligations.

The composition of interfund transfers for the year ended September 30, 2006 was as follows:

<u>Transfers Out</u>	<u>Transfers In</u>						<u>Total</u>
	<u>Inter- Govern- Mental Revenue</u>	<u>Non-major Governmental Funds</u>			<u>Internal Service Funds</u>		
	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Subtotal</u>			
<u>Governmental Funds</u>							
General Fund	\$ 6,742,292	2,495,379	11,674,497	5,799,576	19,969,452	883,341	27,595,085
Non-Major Governmental Funds							
Special Revenue Funds	3,767	0	2,073,798	0	2,073,798	0	2,077,565
Capital Projects Funds	0	60,434	0	366,737	427,171	0	427,171
	<u>3,767</u>	<u>60,434</u>	<u>2,073,798</u>	<u>366,737</u>	<u>2,500,969</u>	<u>0</u>	<u>2,504,736</u>
<u>Enterprise Funds</u>							
Water and Sewer Fund	39,931	0	407,990	1,392,010	1,800,000	569,890	2,409,821
Sanitation Fund	0	0	0	575,517	575,517	0	575,517
Non-Major Enterprise Funds	4,844	600,726	0	0	600,726	44,810	650,380
	<u>44,775</u>	<u>600,726</u>	<u>407,990</u>	<u>1,967,527</u>	<u>2,976,243</u>	<u>614,700</u>	<u>3,635,718</u>
Internal Service Funds	0	0	121,191	0	121,191	0	121,191
	<u>\$ 6,790,834</u>	<u>3,156,539</u>	<u>14,277,476</u>	<u>8,133,840</u>	<u>25,567,855</u>	<u>1,498,041</u>	<u>33,856,730</u>

The City transfers funds from the General fund and the Community Redevelopment Agency special revenue fund to the debt service funds to meet debt service requirements. Funds are provided

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from the corresponding revenues pledged for those purposes. Transfers from the General fund to the Community Redevelopment Agency special revenue fund represent tax increment revenues derived from appreciation of the tax bases in the redevelopment areas. Funding for non-debt financed governmental capital projects is provided through transfers from the General fund and Water and Sewer enterprise fund. Other transfers to the capital projects funds provide funding for specific projects within the capital improvement program. Transfers to the internal service funds are for capital equipment additions funded by the benefiting user departments.

In addition, there were transfers from the General and Enterprise funds to the Intergovernmental Revenue fund of \$6.7 million to fund post storm cleanup costs and repairs from hurricanes Katrina and Wilma.

**(7) CAPITAL ASSETS:**

Capital Asset activity for governmental and business-type activities for the year ended September 30, 2006 was as follows:

	Beginning Balance			Ending Balance
	<u>As Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 37,888,241	11,643,914	0	49,532,155
Construction in progress	13,857,150	19,429,008	23,080,765	10,205,393
Total capital assets not being depreciated	<u>51,745,391</u>	<u>31,072,922</u>	<u>23,080,765</u>	<u>59,737,548</u>
Capital assets being depreciated				
Buildings	111,680,002	4,490,122	0	116,170,124
Improvements	72,403,596	4,387,628	809,459	75,981,765
Infrastructure	9,957,270	1,841,832	0	11,799,102
Equipment	119,035,225	14,843,643	5,524,609	128,354,259
Total capital assets being depreciated	<u>313,076,093</u>	<u>25,563,225</u>	<u>6,334,068</u>	<u>332,305,250</u>
Less accumulated depreciation for:				
Buildings	31,065,056	2,524,981	0	33,590,037
Improvements	31,223,636	3,075,287	0	34,298,923
Infrastructure	1,108,188	381,928	0	1,490,116
Equipment	89,420,196	10,430,671	5,257,613	94,593,254
Total accumulated depreciation	<u>152,817,076</u>	<u>16,412,867</u>	<u>5,257,613</u>	<u>163,972,330</u>
Total capital assets being depreciated, net	<u>160,259,017</u>	<u>9,150,358</u>	<u>1,076,455</u>	<u>168,332,920</u>
Governmental activities capital assets, net	<u>\$ 212,004,408</u>	<u>40,223,280</u>	<u>24,157,220</u>	<u>228,070,468</u>

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 25,937,411	0	0	25,937,411
Construction in progress	113,023,401	81,121,920	26,097,881	168,047,440
Total capital assets not being depreciated	<u>138,960,812</u>	<u>81,121,920</u>	<u>26,097,881</u>	<u>193,984,851</u>
Capital assets being depreciated				
Buildings	163,359,398	1,996,951	0	165,356,349
Improvements	324,187,172	23,979,701	0	348,166,873
Equipment	33,190,226	1,239,409	109,506	34,320,129
Total capital assets being depreciated	<u>520,736,796</u>	<u>27,216,061</u>	<u>109,506</u>	<u>547,843,351</u>
Less accumulated depreciation for:				
Buildings	67,984,976	3,317,750	0	71,302,726
Improvements	107,214,299	7,469,706	0	114,684,005
Equipment	25,911,217	1,578,747	108,713	27,381,251
Total accumulated depreciation	<u>201,110,492</u>	<u>12,366,203</u>	<u>108,713</u>	<u>213,367,982</u>
Total capital assets being depreciated, net	<u>319,626,304</u>	<u>14,849,858</u>	<u>793</u>	<u>334,475,369</u>
Business-type activities capital assets, net	<u>\$ 458,587,116</u>	<u>95,971,778</u>	<u>26,098,674</u>	<u>528,460,220</u>

Depreciation expense, including the amortization of assets held under capital leases, was charged to the various functions of the City as follows:

Governmental activities:	
General Government	\$ 1,336,086
Public Safety	3,068,827
Physical Environment	60,501
Transportation	512,318
Economic Environment	17,994
Culture and Recreation	4,745,034
Capital assets held in the City's internal service funds are charged to general government	<u>6,672,107</u>
	<u>\$ 16,412,867</u>
Business-type activities:	
Water and Sewer	\$ 9,418,079
Sanitation	94,800
Parking System	1,136,342
Airport	1,385,360
Stormwater	<u>331,622</u>
	<u>\$ 12,366,203</u>

This report includes all general infrastructure acquired or constructed since October 1, 1979 in accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

**(8) INVESTMENT IN JOINT VENTURE:**

The City has agreements with the Performing Arts Center Authority (PACA) and the Downtown Development Authority (DDA) for the operation of a 950 space parking garage in the Arts and Science District of the City. The City, as operating agent, has full and exclusive responsibility for

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operation and maintenance of the garage which is being accounted for as a joint venture in the Parking System Fund using the equity method of accounting.

The City collects all revenues and pays all operating expenses for the garage and determines the allocation to each of the participants monthly. The increase in Net Assets for the year of \$797,397 was derived exclusively from operations. The equity interests of the City, the PACA and the DDA totaled \$1,035,786, \$1,199,343 and \$569,645, respectively at September 30, 2006. Separate financial statements for the joint venture are available from the City's Finance Department.

**(9) RISK MANAGEMENT:**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City Insurance Internal Service Fund is used to account for and finance both uninsured and insured risks of loss. Coverage is provided for workers' compensation, employment practices, general liability, automobile liability, police professional liability, public officials and certain medical benefits. The City has obtained commercial insurance for workers' compensation claims in excess of \$1 million for employees with statutory limits per occurrence. In addition, property insurance has been purchased for City structures with a \$100,000 deductible and a windstorm deductible of \$15 million per occurrence along with terrorism coverage and total limits in force of \$311 million. Commercial, specific, stop-loss insurance is also purchased for medical claims in excess of \$165,000. The City also has coverage for employment practices liability with a \$300,000 deductible and a \$3 million coverage limit. Settlements have not exceeded coverages for each of the past three fiscal years.

All operating funds of the City participate in the program and make payments to the fund based on estimates of the amounts needed to pay prior and current claims and to provide fund equity for catastrophic losses. The estimated insurance claims payable at September 30, 2006 of \$26,706,955 (discounted at 5%) is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that claims liabilities be based upon the estimated ultimate costs of settling the claims. The liability also includes incurred but not reported claims developed through actuarial analysis of loss history. Changes in the balance of estimated insurance claims payable for the fiscal years ended September 30, 2005 and 2006 follow:

	Medical <u>Benefits</u>	<u>Other</u>	<u>Total</u>
Balance October 1, 2004	\$ 1,570,907	23,939,396	25,510,303
New Claims and Changes in Estimates	8,652,705	5,308,229	13,960,934
Claim Payments	<u>(8,529,896)</u>	<u>(9,124,439)</u>	<u>(17,654,335)</u>
Balance September 30, 2005	1,693,716	20,123,186	21,816,902
New Claims and Changes in Estimates	9,347,219	11,802,232	21,149,451
Claim Payments	<u>(9,132,082)</u>	<u>(7,127,316)</u>	<u>(16,259,398)</u>
Balance September 30, 2006	\$ <u>1,908,853</u>	<u>24,798,102</u>	<u>26,706,955</u>

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**(10) CAPITAL LEASE OBLIGATIONS:**

In June 2001, the City entered into a master lease agreement with SunTrust Bank as lessee for financing the acquisition of equipment on an as needed basis. The lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future lease payments as of the inception date.

The future (minimum) lease obligations and the net present value of capital lease payments as of September 30, 2006 are as follows:

Year Ending <u>September 30</u>	
2007	\$ 1,872,600
2008	1,292,983
2009	909,300
2010	683,189
2011	638,304
2012	<u>483,007</u>
Total Lease Payment	5,879,383
Less: Amount of Interest	<u>(540,198)</u>
Present Value of Lease Payments	<u>\$ 5,339,185</u>

**(11) LONG-TERM DEBT:**

Bonds outstanding at September 30, 2006 mature in varying amounts during succeeding fiscal years through 2035. Interest rates on fixed rate debt are as follows: 2.5% to 4.5% on general obligation bonds, 3.8% to 4.2% on excise tax bonds, 2.5% to 4.63% on water and sewer revenue bonds, 5.07% on sanitation revenue bonds, 3.19% to 4.25% on tax increment revenue bonds and 2.2% to 2.9% on State revolving fund loans. The Sunshine State Financing Commission loans are variable rate instruments with the tax-exempt loans averaging 3.64% and the taxable loan averaging 5.44%. The Florida Intergovernmental Financing Commission tax-exempt loan is also a variable rate instrument averaging 3.6%. The average variable rate on tax increment revenue bonds is 4.9%.

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2006 (in thousands) follow and include estimated amounts for interest on the variable rate debt:

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Year Ending September 30	Governmental Activities							
	General		Excise Tax Bonds		Tax Increment Bonds		Sunshine	
	Obligation Bonds						State Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 5,785	1,743	2,340	371	1,112	969	920	311
2008	2,315	1,555	3,380	276	1,147	916	965	276
2009	2,385	1,485	3,520	141	1,192	862	995	239
2010	2,455	1,412	0	0	1,232	806	1,045	202
2011	2,545	1,333	0	0	1,277	748	825	162
2012-2016	14,160	5,272	0	0	13,843	1,310	1,745	510
2017-2021	5,580	3,028	0	0	0	0	1,500	163
2022-2026	3,560	2,309	0	0	0	0	0	0
2027-2031	4,380	1,498	0	0	0	0	0	0
2032-2035	4,240	473	0	0	0	0	0	0
Total	\$ 47,405	20,108	9,240	788	19,803	5,611	7,995	1,863

Year Ending September 30	Governmental Activities				Business-Type Activities			
	Florida		Water and Sewer		Sanitation		State Revolving	
	Governmental Loans		Revenue Bonds		Revenue Bonds		Fund Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 1,150	396	2,025	3,506	350	198	1,136	742
2008	700	355	2,070	3,454	370	180	1,388	866
2009	700	330	2,125	3,390	395	161	1,483	859
2010	725	295	2,190	3,319	415	140	1,521	821
2011	750	280	2,265	3,246	440	119	1,561	781
2012-2016	4,225	975	12,690	14,841	2,015	237	8,438	3,273
2017-2021	2,900	209	15,585	12,019	0	0	9,598	2,112
2022-2026	0	0	19,515	8,237	0	0	10,371	790
2027-2031	0	0	24,700	3,254	0	0	541	10
Total	\$ 11,150	2,840	83,165	55,266	3,985	1,035	36,037	10,254

General obligation bonds are secured by the full faith and credit of the City. The excise tax bonds are secured by a pledge of certain utility service, cigarette and franchise taxes. Tax increment revenue bonds are secured by a pledge of the tax increment revenues generated within the beach community redevelopment area. The sanitation revenue bonds are secured by a pledge of the net revenues of the Sanitation enterprise fund. The Sunshine State Financing Commission loans and the Florida Intergovernmental Financing Commission loans are secured by a pledge of non-ad valorem tax revenues and a covenant to budget and appropriate. In addition, the City of Pompano Beach, Florida has contractually agreed to pay 39% of the debt service costs on the Florida Intergovernmental loan that refunded the excise tax improvement bonds used to fund an 800 MHz public safety communications system for both cities.

The Sunshine State Governmental Commission and the Florida Intergovernmental Financing Commission (the Commissions) under interlocal agreements among the member governments, enable a limited number of qualifying governments to participate in pooled debt financings with pricing and cost structures not normally available to governmental entities acting individually. Loan obligations from the Commissions are reflected as debt by the participating governments. The City

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has no obligation and minimal event risk associated with the Commissions other than the repayment of its loans. Financial statements may be obtained from the individual Commissions.

The bond resolutions of the various excise tax improvement and revenue bond issues require that sufficient funds be available to meet the largest debt service requirement in any ensuing fiscal year. The City maintains a municipal bond debt service reserve fund insurance policy to satisfy this requirement for its outstanding excise tax improvement bonds, thereby eliminating the need to set aside funds for this purpose. At September 30, 2006, funds available met the debt service requirements for revenue bonds.

At September 30, 2006, the City had an arbitrage rebate liability of \$1,627 on the Sunshine State Financing Commission loans. This liability is for the computation period extending from the issue dates. The ultimate amount payable will be determined at the end of the loan construction period and may be greater or less than the current liability.

Periodically, the City will issue conduit debt to fulfill a public need or purpose. These obligations are not reported as liabilities in the City's financial statements and the City is not obligated in any manner for repayment of the debt. As of September 30, 2006, the only issue outstanding was for \$30,000,000 Revenue Bonds, Series 2002 issued for Pine Crest Preparatory School, Inc. to provide a portion of the funds necessary to finance certain improvements at the Pine Crest private school facilities located in Fort Lauderdale and Boca Raton, Florida.

In order to take advantage of low interest rates, the City is participating in the State of Florida revolving loan program to finance sewer system capital improvements and currently has four loans outstanding. The loan program operates on a reimbursement basis. When proceeds are issued, the loan accrues interest based upon the rate approved by the State at the date of closing. The liability due to the State is the original loan amount plus accrued interest until the date repayments commence, which is in approximately three years time. The first loan authorized in FY 2003 was for \$8,882,659, carries an interest rate of 2.9% and provides for semi-annual principal and interest payments beginning in May 2007. As of September 30, 2006, the City's liability for this loan totaled \$8,701,620.

On June 29, 2004 a second loan agreement was entered into for \$20,350,400, carries an interest rate of 2.71% and provides for semi-annual principal and interest payments beginning in May 2006. The loan principal was increased to \$22,407,342 on January 3, 2005. As of September 30, 2006, the City's liability for this loan totaled \$16,540,908.

On May 5, 2005 the City entered into its third loan agreement for \$7,256,416, which carries an interest rate of 2.19% and provides for semi-annual principal and interest payments beginning in November 2006. The loan principal was increased to \$19,116,208 on August 23, 2005. As of September 30, 2006, the City's liability for this loan totaled \$7,947,290.

On March 3, 2006 the City entered into its fourth loan agreement for \$20,393,500, which carries an interest rate of 2.1% and provides for semi-annual principal and interest payments beginning in May 2008. As of September 30, 2006, the City's liability for this loan totaled \$2,847,746.

The following is a summary of long-term liabilities activity of the City for the fiscal year ended September 30, 2006:

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	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 53,005,000	0	(5,600,000)	47,405,000	5,785,000
Excise Tax Bonds	11,480,000	0	(2,240,000)	9,240,000	2,340,000
Tax Increment Bonds	20,946,000	0	(1,143,000)	19,803,000	1,112,000
Florida Intergovernmental Loans	12,275,000	0	(1,125,000)	11,150,000	1,150,000
Sunshine State Loans	8,885,000	0	(890,000)	7,995,000	920,000
Unamortized Bond Discounts and Gains/Losses on Advance Refundings	(1,397,973)	0	189,869	(1,208,104)	0
Lease Purchase Agreements	7,025,417	0	(1,686,232)	5,339,185	1,682,315
Estimated Insurance Claims Payable	21,816,902	21,149,451	(16,259,398)	26,706,955	11,229,900
Compensated Absences	<u>22,128,645</u>	<u>11,478,521</u>	<u>(11,723,478)</u>	<u>21,883,688</u>	<u>4,655,752</u>
 Total Governmental Activities	 <u>\$ 156,163,991</u>	 <u>32,627,972</u>	 <u>(40,477,239)</u>	 <u>148,314,724</u>	 <u>28,874,967</u>
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
<b>Business-Type Activities:</b>					
Revenue Bonds	\$ 89,470,000	0	(2,320,000)	87,150,000	2,375,000
State Revolving Fund Loans	19,233,789	16,881,105	(77,330)	36,037,564	1,835,280
Unamortized Bond Discounts	(771,638)	0	46,645	(724,993)	0
Land-fill Post Closure Costs	4,064,320	0	(531,320)	3,533,000	0
Compensated Absences	<u>3,508,178</u>	<u>2,085,689</u>	<u>(1,934,198)</u>	<u>3,659,669</u>	<u>826,318</u>
 Total Business-Type Activities	 <u>\$ 115,504,649</u>	 <u>18,966,794</u>	 <u>(4,816,203)</u>	 <u>129,655,240</u>	 <u>5,036,598</u>

Internal service funds predominantly serve the governmental funds. Accordingly, their long-term liabilities totaling \$31.9 million are included as part of the above totals for governmental activities. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

**(12) ESTIMATED LANDFILL CLOSURE COSTS:**

The Wingate landfill and incinerator was an active disposal site from 1954 to 1978. In 1990, the site was designated by the Environmental Protection Agency (EPA) as a superfund site requiring the City to take remedial action. Based on the results of a 1994 Remedial Investigation and Feasibility Study, the EPA agreed to various remedies including a single layer cap in 1996 in a final Record of Decision at an estimated remediation cost of \$20,500,000 which was recognized as a liability in the Sanitation Enterprise Fund. In 1998, the City entered into an agreement with the Potentially Responsible Parties (PRPs), know as the Wingate Superfund Group, to oversee compliance with a 1998 Consent Decree between the City, the EPA and the PRP's. As a result of the agreement, the City reduced its estimated remediation liability to \$10,000,000.

The consent decree provided for payment of expenses associated with the remediation, promoted cost effective response actions, allocated management and financial responsibilities and resolved claims for cost recovery between the parties. The consent decree was validated December 28, 1999, allowing site remediation to commence. The agreement with the Wingate Superfund Group created a trust fund for collection and disbursement of funds for the remediation and limited the

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City's share of remediation costs to \$8,325,000, excluding ancillary costs. As of September 30, 2006, the site is remediated and the liability stands at \$3,533,000 to provide for estimated post closure care costs.

On December 21, 2001, the State of Florida Department of Environmental protection notified the City and the Wingate Superfund Group that areas adjacent to the site had dioxin levels that exceeded what they considered safe. They estimated the cost to remove these soils to be between \$700,000 and \$1,300,000 and stated that they intended to perform the work and seek recovery of the costs from the parties. The City and the other parties informed the State that the standards they were using to define what was considered safe were unrealistically low and not authorized in their rules. In late January 2002, the State began to remove the soils pursuant to their letter. After completion of the soil removal in early 2003, the State filed a lawsuit in State Circuit Court against the City to recover its costs of \$1.2 million. This lawsuit was settled in September 2006 for \$200,000.

(13) EMPLOYEE RETIREMENT SYSTEMS:

The City's pension plans are presented in accordance with 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". The objective of these statements, prepared on the accrual basis of accounting, is to enhance the understandability and usefulness of pension information included in the financial statements of state and local governmental employers. Member and City contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Plan investments are reported at fair value.

Defined Benefit Plans - Plan Descriptions and Funding Policies

General Employees Retirement System

The General Employees Retirement System is a single-employer defined benefit plan administered by an eight-member board of trustees which covers all City employees except police and firefighters. The City's payroll for employees covered by the plan applicable to the September 30, 2005 actuarial valuation was approximately \$60,524,800. The total City payroll at that time was approximately \$132,673,000. As of the valuation date, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	1,171
Terminated employees entitled to benefits but not yet receiving them	91
Fully, partially and non-vested active plan participants	1,362

Under the vesting provisions of the plan, most employees are entitled to 100% of normal retirement benefits after 5 years of service beginning at age 55. Certain employees hired on or after October 1, 1983 electing reduced benefits are entitled to 100% of normal retirement benefits after 10 years of service beginning at age 65. Members who terminate prior to vesting are entitled to a refund of employee contributions plus interest at 3% per year. Members who continue in employment past normal retirement may either accrue larger pensions or freeze their accrued

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benefit and enter the Deferred Retirement Option Plan (DROP). Each participant in the DROP has an account credited with benefits not received and investment earnings. Participation in the DROP must end no later than 36 months after normal retirement. These benefit provisions and all other requirements are established by City ordinance.

Employees contribute from 4% to 6% of their earnings to the plan. The City is required to contribute the remaining amounts necessary to fund the plan, based on an amount determined by the plan's actuaries as of September 30 each year. For the current year, the City's contribution rate as a percentage of annual covered payroll was 25.9%.

Police and Firefighters Retirement System

The Police and Firefighters Retirement System is a single-employer defined benefit plan administered by an eight-member board of trustees which covers all police and firefighters. The City's payroll for employees covered by the plan applicable to the December 31, 2005 actuarial valuation was approximately \$41,091,000. The total City payroll at that time was approximately \$128,657,000. As of the valuation date, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	843
Terminated employees entitled to benefits but not yet receiving them	22
Fully, partially and non-vested active plan participants	631

Under the vesting provisions of the plan, employees are entitled to 100% of normal retirement benefits after 10 years of service beginning at age 47 or 50 or after 20 years of service, regardless of age. Members who terminate prior to vesting are entitled to a refund of employee contributions plus interest at 3% per year. Members who continue in employment past the later of age 47 and completion of 20 years of service may either accrue larger pensions or freeze their accrued benefit and enter the Deferred Retirement Option Plan (DROP). Each participant in the DROP has an account credited with benefits not received and investment earnings. Participation in the DROP must end no later than 36 months after normal retirement for firefighters or 60 months for police. These benefit provisions and all other requirements are established by City ordinance.

Employees contribute from 6% to 7% of their earnings to the plan. In addition, contributions in the amount of \$4,216,411 were received from the State of Florida from fire and casualty insurance premium taxes. These on-behalf payments were also recognized as tax revenues and public safety expenditures in the General Fund. The City is required to contribute the remaining amounts necessary to fund the plan, based on an amount determined by the plan's actuaries as of December 31 each year. For the current year, the City and State of Florida contribution rates as percentages of annual covered payroll were 46.9% and 10.0%, respectively.

Annual Pension Cost and Actuarial Methods and Assumptions

Annual Pension Cost (APC) is a measure of the periodic cost of an employer's participation in a defined benefit pension plan. The APC for the General Employees and Police and Firefighters plans for the last three fiscal years follow:

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Fiscal Year Ended In:	<u>General Employees</u>		<u>Police and Firefighters</u>	
	Percent		Percent	
	<u>Amount</u>	<u>Contributed</u>	<u>Amount</u>	<u>Contributed</u>
2004	\$ 12,055,085	100%	\$12,377,564	100%
2005	14,036,569	100	16,402,796	100
2006	14,749,038	100	19,824,618	100

Since the City contributed 100% of the APC in each of the years indicated, there was no net pension obligation at the end of any year for either plan.

Actuarial methods and significant actuarial assumptions used to determine the annual required contributions for the current year follow:

	<u>General Employees</u>	<u>Police and Firefighters</u>
Valuation Date	September 30, 2004	December 31, 2004
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	19-30 Years	18-20 Years
Asset Valuation Method	Five year smoothed market	Investment earnings greater than assumed rate over 5 year
<b>Actuarial Assumptions:</b>		
Investment Rate of Return	7.75% Including 3.25% Inflation	7.75% Including 3.25% Inflation
Projected Salary Increases	4.25% - 8.25%	3.25% - 8.25%
Cost-of-Living Adjustments (COLA)	Ad Hoc COLA's are granted with City Commission approval if investment earnings exceeded the funding assumptions in the prior year.	A COLA, limited to the change in the CPI, is granted each year to the extent it can be funded by the net experience gains during the prior year.

Six-year historical trend information is presented in supplementary schedules following these notes (see page 60). In addition, the Police and Firefighters Retirement System issues separate financial statements that can be obtained from the board of trustees. The statements are issued annually.

Defined Contribution Plans

General Employees Special Class Plan

The General Employees Special Class Plan is a single-employer defined contribution plan administered by the City. It is available to City employees (except police and firefighters) as an alternative to participation in the General Employees Retirement System. The City's current year payroll for employees covered by the plan was approximately \$467,900. The total City payroll for the year was approximately \$138,597,000.

The City contribution requirement of 24.38% on earnings of participants was paid on a biweekly basis and amounted to \$114,758 for the current year. Employee contributions are neither required nor permitted under the plan. Employees become fully vested in the plan upon entry. These benefit provisions and all other requirements are established by City ordinance.

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Non-classified Employees Retirement Plan

The Non-classified Employees Retirement Plan is a single-employer defined contribution plan administered by the City which covers certain non-classified City employees who have elected not to participate in the City's General Employees Retirement System. The City's current year payroll for employees covered by the plan was approximately \$753,500. The total City payroll for the year was approximately \$138,597,000.

The City contribution requirement of 18.1% on earnings of participants was paid on a biweekly basis and amounted to \$192,708 for the current year. Employee contributions are neither required nor permitted under the plan. Employees become fully vested in the plan upon entry. These benefit provisions and all other requirements are established by City ordinance.

(14) OTHER POSTEMPLOYMENT BENEFITS:

The City provides a postemployment health insurance benefit for its general employees and sworn police officers. Employees are paid from \$100 to \$400 per month upon normal retirement for the purchase of health insurance. The benefit continues until age 65 and is funded on a pay-as-you-go basis. As of September 30, 2006, there were 538 retired employees receiving the benefit with an additional 1,958 employees eligible for participation in the future. Payments totaled \$1,844,106 for the year.

The City will be required to adopt the provisions of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" in fiscal year 2008. The City is currently evaluating the effect of this statement on its financial position and results of operations.

(15) DEFERRED COMPENSATION PLAN:

The City offers a deferred compensation plan to its employees in addition to the pension plans. Participation is optional. The City has adopted the provisions of IRS code Section 457(g) and GASB Statement No. 32, "Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans". Under these provisions, all assets and income of the plan are held in trust for the exclusive benefit of participants. Accordingly, the assets and liabilities of the plan are not reported within the City's financial statements.

(16) OPERATING LEASES:

On September 1, 1962, the City entered into a lease agreement with Bahia Mar Yachting Center, Inc. (Bahia Mar) for the purpose of constructing and operating a restaurant, lounge, yacht club, motel/hotel, convention hall, marine facilities and other similar businesses. The cost of the property at the inception of the lease was \$552,000. On June 30, 1994, this lease was assumed by RAHN Bahia Mar, LTD. and, as amended, will terminate on August 31, 2062, at which time, all additions to the property originally leased to Bahia Mar will revert to the City.

The lease agreement provides for a minimum guaranteed annual rental of \$300,000 per year. In addition, the City receives contingent rentals (\$783,854 in 2006) based upon escalating percentages of gross receipts for the duration of the agreement.

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The City has various aviation leases and nonaviation land leases which are accounted for as operating leases in the Airport Fund. Contingent rentals on these leases amounted to \$587,015 in the current year. Minimum future rentals on these leases as of September 30, 2006 follow:

Fiscal Year Ending in:	<u>Aviation Leases</u>	<u>Land Leases</u>	<u>Total</u>
2007	\$ 1,210,390	2,741,254	3,951,644
2008	1,210,390	2,741,254	3,951,644
2009	1,181,795	2,741,254	3,923,049
2010	1,160,310	2,741,254	3,901,564
2011	1,153,148	2,741,254	3,894,402
Later Years	19,728,465	71,440,680	91,169,145
	<u>\$ 25,644,498</u>	<u>85,146,950</u>	<u>110,791,448</u>

(17) COMMITMENTS AND CONTINGENT LIABILITIES:

The City has outstanding commitments for construction and acquisition of property, plant and equipment in the various enterprise funds. The following is a summary of the more significant of these commitments at September 30, 2006:

<u>Water and Sewer Fund</u>	
Collection and Distribution Systems	\$ 59,632,239
Wastewater Plant Improvements	6,912,269
Water Treatment Plants Improvements	13,659,275
Sanitary Sewers	38,025,379
Water Well Field Improvements	2,575,210
Other	7,211,967
	<u>128,016,339</u>
 <u>Sanitation</u>	
Wingate Landfill Closure	291,724
Other	195,254
	<u>486,978</u>
 <u>Parking System Fund</u>	
Downtown Parking Garages	1,625,783
Other	33,123
	<u>1,658,906</u>
 <u>Airport Fund</u>	
Airport Fire Station	2,670,777
Other	959,786
	<u>3,630,563</u>
 <u>Stormwater Fund</u>	
Storm Drainage	3,126,988
	<u>\$ 136,919,774</u>

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On August 9, 1990 the City's wastewater biosolids compost plant was voluntarily taken out of service due to mechanical and odor control system problems. To address the disposal of the wastewater solids generated at the City's regional wastewater treatment plant, the City determined, from both an economic and regulatory standpoint, that the most viable solution was land application of the solids. The cost of the existing plant was partially reimbursed by \$15.8 million in EPA grant funds. On March 9, 2000, the EPA requested a refund of the grant of approximately \$13.3 million. The City then began negotiations with the EPA to permanently close the facility. On August 19, 2003 the EPA reached a final decision on the disposition of the property. This decision provided for the sale of the property by March 2005 and reimbursement to the EPA of the Federal percentage of participation in the original acquisition of the property from the proceeds of the sale. The plant was written down by \$15.9 million to a value of \$3.2 million and a liability of \$2.1 million for the estimated amount payable to the EPA was recorded in the Water and Sewer enterprise fund. The City is considering alternate uses for the property and obtained an extension from the EPA on the deadline for sale of the property until a final decision is made on its disposition. The City submitted two appraisals to the EPA to establish fair market value for the property. On April 27, 2006 the EPA notified the City that it would accept payment of \$5,960,625 (representing 55% of the average of the appraisals) if the City retains title to the property. As of September 30, 2006 the City increased the liability in the Water and Sewer fund by \$3,842,941 to this amount.

During fiscal year 2006, the City incurred hurricane preparation, cleanup and repair related expenditures totaling over \$47 million as a result of the impact of Hurricane Wilma in October 2005. The City recorded the revenue related to expected reimbursements from federal and state agencies at the time that the underlying expenditures were incurred (when the eligibility requirements were met). As of September 30, 2006, the City has a net receivable outstanding related to estimated expected reimbursements from federal and state agencies of approximately \$27 million, which is included in "Due from other governments" in the Intergovernmental Revenue fund balance sheet. The City expects that the amount it will ultimately collect will not be materially different from the receivable balance recorded as of September 30, 2006.

Various substantial lawsuits have been filed against the City including personal injury claims, liability claims related to police activities and general liability claims. The estimated liabilities related to the various claims have been accrued in the City Insurance Internal Service Fund. In the opinion of City management, the expected liability for these claims would not materially exceed the amounts recorded in the financial statements.

**(18) SUBSEQUENT EVENT**

On October 4, 2006 the City sold \$100,000,000 of Water and Sewer Revenue Bonds, Series 2006. The proceeds are being used to finance certain improvements and upgrades to the City's water and sewer system. The issue provides for semi-annual principal and interest payments with interest rates ranging from 4% to 5% and a final maturity on September 1, 2035.