

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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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 175,500 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.

Additionally, the City reports the following fund types:

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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.

(G) Assets, Liabilities and Net Assets or Equity

(1) Cash and Cash Equivalents

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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 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

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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.

(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

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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) Prior Period Adjustment

During the current year it was determined that certain parcels of land, purchased for \$1,298,153 with Community Development Block Grant (CDBG) funds, were not included in inventory in the Intergovernmental Revenue special revenue fund in prior years. To correct this error, beginning fund balance of the Intergovernmental Revenue fund of \$7,565,185, as originally reported, has been increased by \$1,298,153 to \$8,863,338.

(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.

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 \$107,489,100 difference are as follows:

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Bonds payable	\$ 67,211,000
Notes payable	17,075,000
Capital lease obligations	404,186
Compensated absences and longevity pay	20,552,364
Accrued interest payable	487,885
Deferred debt issuance costs	(560,001)
Unamortized bond discount	(216,122)
Unamortized gains and losses on advance refunding of bonds	(811,710)
Elimination of investment in special assessment loan	<u>3,346,498</u>
 Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	 \$ <u>107,489,100</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 \$15,560,817 difference are as follows:

Capital outlay	\$ 25,279,187
Depreciation expense	<u>(9,718,370)</u>
 Net adjustment to increase net changes in fund balance – total govern- mental funds to arrive at changes in net assets – governmental activities	 \$ <u>15,560,817</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 \$(26,053).

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 \$11,644,228 difference are as follows:

Principal repayments	
Bonds payable	\$ 8,452,000
Notes payable	2,540,919
Capital lease obligations	<u>651,309</u>
 Net adjustment to increase net changes in fund balance – total govern- mental funds to arrive at changes in net assets – governmental activities	 \$ <u>11,644,228</u>

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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 \$764,407 difference are as follows:

Accrued interest payable	\$ 65,461
Amortization of deferred debt issuance costs	(72,893)
Amortization of bond discounts	(32,289)
Amortization of gains and losses on advance refunding of bonds	(147,982)
Compensated absences and longevity pay	<u>952,110</u>
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net assets – governmental activities	<u>\$ 764,407</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, 2007 and principal on the long-term debt of proprietary funds.

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.

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(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	\$ 79,518,833
Basis of accounting adjustments Encumbrances	<u>(8,928,959)</u>
Statement of revenues, expenditures and Changes in fund balances – budget and actual – page 20	\$ <u>70,589,874</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 recover deposits nor be able to recover collateral securities that are in the possession of an outside party.

At September 30, 2007 the carrying amount of the City's deposits was \$19,470,736 with a bank balance of \$27,937,374. Of the bank balance, \$215,830 was covered by Federal depository

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insurance and \$27,721,543 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, except the Florida SBA Local Government Investment Pool, 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.

All investments are 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, 2007 follow:

Portfolio No. 1 Surplus Funds Pooled Investments, \$284,703,171

The pooled investments portfolio consists of investments in U.S. Government securities, U.S. Government agency securities, corporate obligations, money market mutual funds and the Florida SBA Local Government Investment Pool. Interest receivable on this portfolio at September 30, 2007 was \$621,865.

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

1997 General Obligation Construction Bonds	\$	2,104,310
1998 Sunshine State Bonds		127,082
1998C Excise Tax Improvement Bonds		2,376,221
2002 FIFC Construction Loan		2,101,251
2004 Tax Increment Revenue Bonds, AMT		2,832,223
2004 Tax Increment Revenue Bonds, Non-AMT		11,305,451
	\$	<u>20,846,538</u>

Portfolio No. 2 Water and Sewer Investment Fund, \$80,837,603

This portfolio includes investments of the Water and Sewer enterprise fund. At September 30, 2007, funds were invested in U.S. Government agency securities, corporate obligations and the Florida SBA Local Government Investment Pool. Investment of these funds is governed by the City's investment policy. Interest receivable on this portfolio at September 30, 2007 was \$251,389.

Portfolio No. 3 2005 General Obligation Bond Proceeds, \$15,620,050

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.

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05-87, which states that bond funds may be invested in such investments as are permitted by applicable law. There was no interest receivable on this portfolio at September 30, 2007.

Portfolio No. 4 Cemetery Perpetual Care Funds, \$17,131,384

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, 2007 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, 2007 was \$98,446.

Portfolio No. 5 Police and Fire Retirement System Fund, \$471,466,000

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, 2007 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, 2007 was \$841,389.

Portfolio No. 6 General Employees Retirement System Fund, \$357,921,340

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.

As of September 30, 2007 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, 2007 was \$999,232.

Florida SBA Local Government Investment Pool

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, 2007, the City's balance in this investment pool was \$291,181,697. The investment pool had an average

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of 34 days to maturity on that date. See further disclosures concerning the City's investment in the Florida SBA Local Government Investment Pool in note 18.

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. The interest rate risk of the City's debt investments follows:

Portfolio No. 1	Fair	Weighted
<u>Surplus Funds Pooled Investments</u>	<u>Value</u>	<u>Average Maturity</u>
U. S. Government Securities	\$ 15,891,250	2.83
U.S. Government Agency Security		
Federal Home Loan Mortgage Company	9,878,186	2.30
Federal Home Loan Bank	20,611,227	1.45
Federal National Mortgage Association	18,459,775	1.62
Federal Farm Credit Bank	4,860,220	1.90
Federal Home Reserve	612,706	7.63
Corporate Obligations	19,530,450	1.18
Portfolio No. 2	Fair	Weighted
<u>Water & Sewer Investment Fund</u>	<u>Value</u>	<u>Average Maturity</u>
U. S. Government Securities	12,508,200	1.84
Corporate Obligations	6,427,688	0.52
Portfolio No. 4	Fair	Weighted
<u>Cemetery Perpetual Care Funds</u>	<u>Value</u>	<u>Average Maturity</u>
U. S. Government Securities	1,015,000	6.35
U.S. Government Agency Security		
Federal Home Loan Mortgage Company	354,885	6.91
Federal Home Loan Bank	596,002	1.77
Federal National Mortgage Association	747,423	1.75
Federal Farm Credit Bank	249,453	2.65
Corporate Obligations	4,017,312	5.41
Portfolio No 5	Fair	Duration
<u>Police and Fire Retirement System Fund</u>	<u>Value</u>	<u>Duration</u>
Agincourt Bond Fund (aggregate)	78,648,963 *	4.64
Mellon Bond Index Fund (aggregate)	75,704,475 *	4.60
Portfolio No. 6	Fair	Duration
<u>General Employees Retirement System Fund</u>	<u>Value</u>	<u>Duration</u>
Debt Investment (aggregate)	69,763,804 *	3.27

* 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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Investments in Portfolio No. 1 at September 30, 2007 included 12 callable U.S. Government agency securities with a total market value of \$9,271,278. Portfolios No. 3 did not contain any debt investments at September 30, 2007.

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 \$27,937,374 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, 2007, \$8,064,342 of the City's investments in corporate notes was rated AAA by Standard & Poor's and Aaa by Moody's Investor Service. The City's \$291,181,697 investment in the Florida SBA Local Government Investment Pool was unrated as of September 30, 2007. All remaining investments in this portfolio subject to credit risk were rated AA by Standard & Poor's and Aa1 by Moody's Investor Service as of September 30, 2007.

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Portfolio No. 2 Water and Sewer Investment Fund

The \$80,837,603 invested in the Florida SBA Local Government Investment Pool was unrated as of September 30, 2007.

Portfolio No. 3 2005 General Obligation Bond Proceeds

The \$15,620,050 investment in the Florida SBA Local Government Investment Pool was unrated as of September 30, 2007.

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, 2007, \$51,633 of GTE Corp corporate bonds were rated BAA1 by Moody's Investor Service and were rated A by Standards & Poor's; \$234,225 of Home Depot corporate bonds were rated BAA1 by Moody's Investor Service and BBB+ by Standard and Poors; and \$194,052 of Wad2 Vodafone Group corporate foreign bonds were rated BAA1 by Moody's Investor Service and A- by Standard and Poors. All other investments met the policy's requirement at September 30, 2007.

Portfolio No. 5 Police and Fire Retirement System Fund

As permitted by GASB Statement No. 40, interest rate risk and credit risk are managed in this portfolio in the aggregate by asset class. The portfolio includes two investment grade core bond portfolios, one managed by Agincourt that has a duration of 4.60 and an average rated credit quality equivalent to Moody's Investor Service rating Aa, and the other managed by Mellon with a duration of 4.64 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, 2007.

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, 2007, 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

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U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Below is a chart showing concentration of credit risk.

Portfolio No. 1 <u>Surplus Funds Pooled Investments</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
Florida SBA Local Government Investment Pool	\$ 194,724,044	68.4%	16.1%
U. S. Government Securities	15,891,250	5.6%	1.3%
U. S. Government Agency Securities	54,422,114	19.1%	4.4%
Corporate Obligations	19,530,450	6.9%	1.6%
Money Market Mutual Funds	135,313	0.0%	0.0%
	<u>284,703,171</u>	<u>100.0%</u>	<u>23.4%</u>
Portfolio No. 2 <u>Water and Sewer Investment Fund</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
Florida SBA Local Government Investment Pool	61,901,715	76.5%	5.0%
U.S. Government Agency Securities	12,508,200	15.5%	1.0%
Corporate Obligations	6,427,688	8.0%	0.5%
	<u>80,837,603</u>	<u>100.0%</u>	<u>6.5%</u>
Portfolio No. 3 <u>2005 General Obligation Bonds Proceeds</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
Florida SBA Local Government Investment Pool	15,620,050	100.0%	1.3%
	<u>15,620,050</u>	<u>100.0%</u>	<u>1.3%</u>
Portfolio No. 4 <u>Cemetery Perpetual Care Fund</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
U. S. Government Securities	1,015,000	5.9%	0.1%
U. S. Government Agency Securities	1,947,761	11.4%	0.2%
Corporate Obligations	4,017,312	23.5%	0.3%
Money Market Funds	3,894,389	22.7%	0.3%
Common Stock	5,157,949	30.1%	0.4%
Preferred Stock	1,098,973	6.4%	0.1%
	<u>17,131,384</u>	<u>100.0%</u>	<u>1.4%</u>
Portfolio No. 5 <u>Police and Fire Retirement System</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
U. S. Government Securities	4,803,778	1.0%	0.4%
U. S. Government Agency Securities	36,901,765	7.8%	3.0%
Corporate Obligations	20,939,385	4.4%	1.7%
Other Bonds	16,004,034	3.4%	1.3%
Bond Index	75,704,475	16.1%	6.2%
Common Stock	289,019,829	61.3%	23.5%
Real Estate	28,092,734	6.0%	2.3%
	<u>471,466,000</u>	<u>100.0%</u>	<u>38.4%</u>
Portfolio No. 6 <u>General Employees Retirement System Fund</u>	Fair Value	Percentage of Portfolio	Percentage of All Portfolios
U. S. Government Securities	4,836,539	1.3%	0.4%
U. S. Government Agency Securities	58,179,535	16.3%	4.7%
Corporate Obligations	6,747,731	1.9%	0.5%
Money Market Funds	21,833,055	6.1%	1.8%
Common Stock	259,638,570	72.5%	21.1%
Real Estate	6,685,910	1.9%	0.5%
	<u>357,921,340</u>	<u>100.0%</u>	<u>29.0%</u>
Total of All Portfolios, No. 1 through No. 6	<u>\$ 1,227,679,548</u>	<u>100.0%</u>	<u>100.0%</u>

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Portfolio No. 1 has 19.1% of its investments in U. S. Government Agency Securities. Portfolio No. 2 has 15.5% of its investments in U. S. Government Agency Securities. Portfolio No. 4 has 11.4% of its investments in U. S. Government Agency Securities. Portfolio No. 5 has 7.8% of its investments in U. S. Government Agency Securities, and Portfolio No. 6 has 16.3% 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. The City's exposure to foreign currency risk is as follows:

Portfolio No. 4			
<u>Cemetery Perpetual Care Funds</u>	<u>Currency</u>	<u>Maturity</u>	<u>Fair Value</u>
Vodafone Group PLC	British Pound	1/30/2015	\$ 194,052
Cooper Inds LTD	Bermuda Dollar	Not Applicable	47,003
Transocean Inc	Cayman Dollar	Not Applicable	41,489
America Movil SAB DE CV	Mexican Peso	Not Applicable	63,104
BP PLC	British Pound	Not Applicable	56,173
China Mobile LTD	Hong Kong Dollar	Not Applicable	88,439
Diageo PLC	British Pound	Not Applicable	73,693
Petroleo Brasileiro SA Petrobr	Brazilian Real	Not Applicable	31,710
Schlumberger LTD	Netherlands Antillean Guilder	Not Applicable	142,065
Taiwan Semiconductor Mfg LTD	Taiwan Dollar	Not Applicable	43,091
Total SA	European Euro	Not Applicable	63,203
Toyota Motor Corp	Japanese Yen	Not Applicable	75,258
			<u>\$ 919,280</u>

Portfolio No. 5			
<u>Police and Fire Retirement System</u>	<u>Currency</u>	<u>Maturity</u>	<u>Fair Value</u>
CDN Nat Res LTD	Canadian Dollar	5/15/2017	\$ 195,235
Telus Corp	Canadian Dollar	6/1/2011	595,220
France Telecom SA NT	European Euro	3/1/2011	290,229
America Movil SA DE CV	Mexican Peso	3/1/2014	374,564
Pemex Proj FDG Master TR	Mexican Peso	12/15/2015	50,031
Coca-Cola HBC FIN	European Euro	9/17/2013	238,823
Deutsche Telekom Intl FIN	European Euro	6/15/2030	422,336
Norsk Hydro AS DEB	Norwegian Krone	1/15/2018	231,030
Norsk Hydro AS DEB	Norwegian Krone	10/1/2016	224,178
Telefonica Emisiones SAU	European Euro	6/20/2016	210,362
Telefonica Emisiones SAU	European Euro	7/3/2017	171,737
British Telecommunications PLC	British Pound	12/15/2030	317,808
Vodafone Group PLC New Global NT	British Pound	9/15/2015	283,069
Vodafone Group PLC New Vodafone Group	British Pound	1/30/2008	184,086
Magna Intl Inc	Canadian Dollar	Not Applicable	452,657
Orthofix Intl NV	Netherlands Antillean Guilder	Not Applicable	262,332
Amer Movil SAB	Mexican Peso	Not Applicable	486,400
CNH Global NV	European Euro	Not Applicable	655,992
			<u>\$ 5,646,089</u>

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Portfolio No. 6

<u>General Employees Retirement System</u>	<u>Currency</u>	<u>Maturity</u>	<u>Fair Value</u>
HIS Emerging Markets Fund	Various	Not Applicable	\$ 9,206,586
Schroder Emerging Markets Fund	Various	Not Applicable	122,557,655
Credit Suisse	Various	Not Applicable	19,651,806
TIFI Foreign Equity Series	Various	Not Applicable	<u>21,658,833</u>
			<u>\$ 173,074,880</u>

(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, 2006, upon which the 2006-07 levy was based, was approximately \$28.4 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 2006-07 fiscal year were 4.8066 mills for operations and 0.2760 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, 2007 were approximately 99.1% of the total tax levy.

(6) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Individual interfund receivable and payable balances at September 30, 2007 follow:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Due To Other Funds-Restricted</u>
<u>Governmental Funds</u>			
General Fund	\$ 17,591,103	1,414,493	0
Intergovernmental Revenue Fund	0	17,591,103	0
Non-Major Governmental Funds			
General Capital Projects Fund	42,221	0	0
Perpetual Care Fund	0	0	42,221
	<u>17,633,324</u>	<u>19,005,596</u>	<u>42,221</u>
<u>Enterprise Funds</u>			
Water and Sewer Fund	3,181,029	0	0
	<u>3,181,029</u>	<u>0</u>	<u>0</u>
<u>Fiduciary Funds</u>			
General Employees Pension Fund	0	942,631	0
Police and Fire Pension Fund	1,414,493	2,238,398	0
	<u>1,414,493</u>	<u>3,181,029</u>	<u>0</u>
	<u>\$ 22,228,846</u>	<u>22,186,625</u>	<u>42,221</u>

The Intergovernmental Revenue Fund payable to the General Fund of \$17,591,103 represented a short-term borrowing that will be repaid in FY2008 using grant receipts. The payables to the

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Water and Sewer fund from the pension trust funds totaling \$3,181,029 were for operating expenses of the funds paid by the City that were reimbursed from the pension trusts in October 2007. The General Fund payable to the Police and Fire Pension Fund was for accrued pass-through state pension contributions received shortly after the end of the fiscal year. 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, 2007 was as follows:

	Transfers In					
	General	Inter-Governmental Revenue	Non-major Governmental Funds			
<u>Transfers Out</u>			Special Revenue	Debt Service	Capital Projects	
Governmental Funds						
General Fund	\$ 0	798,978	4,643,031	11,375,029	5,957,648	21,975,708
Intergovernmental Revenue Fund	0	0	0	0	0	0
Non-Major Governmental Funds						
Special Revenue Funds		27,529	0	2,082,284	0	2,082,284
Capital Projects Funds		250,000	36,026	0	366,737	402,763
Permanent Fund	0	0	0	0	31,253	31,253
	0	277,529	36,026	2,082,284	397,990	2,516,300
Enterprise Funds						
Water and Sewer Fund		2,561	0	407,990	1,392,010	1,800,000
Sanitation Fund		0	0	0	126,957	126,957
Non-Major Enterprise Funds	230,000	494	540,724	0	0	540,724
	230,000	3,055	540,724	407,990	1,518,967	2,467,681
Internal Service Funds						
	3,448,802	0	0	116,778	0	116,778
	<u>\$ 3,678,802</u>	<u>1,079,562</u>	<u>5,219,781</u>	<u>13,982,081</u>	<u>7,874,605</u>	<u>27,076,467</u>

	Transfers In (Continued)				
	Water and Sewer	Non-Major Enterprise	Subtotal	Internal Service Funds	Total
Transfers Out (Continued)					
Governmental Funds					
General Fund	\$ 0	0	0	0	22,774,686
Intergovernmental Revenue Fund	4,414	112	4,526	0	4,526
Non-Major Governmental Funds					
Special Revenue Funds	0	0	0	0	2,109,813
Capital Projects Funds	0	400,000	400,000	0	1,052,763
Permanent Fund	0	0	0	0	31,253
	0	400,000	400,000	0	3,193,829
Enterprise Funds					
Water and Sewer Fund	0	0	0	71,765	1,874,326
Sanitation Fund	0	0	0	91,867	218,824
Non-Major Enterprise Funds	0	287,333	287,333	49,492	1,108,043
	0	287,333	287,333	213,124	3,201,193
Internal Service Funds					
	0	0	0	19,609	3,585,189
	<u>\$ 4,414</u>	<u>687,445</u>	<u>691,859</u>	<u>232,733</u>	<u>32,759,423</u>

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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 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, the transfer of \$3.5 million from the Vehicle Rental internal service fund to the General fund was for the purchase of camera equipment installed in police vehicles.

(7) CAPITAL ASSETS:

Capital Asset activity for governmental and business-type activities for the year ended September 30, 2007 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 49,532,155	4,017,758	0	53,549,913
Construction in progress	10,205,393	19,761,669	5,843,390	24,123,672
Total capital assets not being depreciated	<u>59,737,548</u>	<u>23,779,427</u>	<u>5,843,390</u>	<u>77,673,585</u>
Capital assets being depreciated				
Buildings	116,170,124	2,128,239	0	118,298,363
Improvements	75,981,765	262,892	0	76,244,657
Infrastructure	11,799,102	80,715	0	11,879,817
Equipment	128,354,259	13,295,428	6,793,891	134,855,796
Total capital assets being depreciated	<u>332,305,250</u>	<u>15,767,274</u>	<u>6,793,891</u>	<u>341,278,633</u>
Less accumulated depreciation for:				
Buildings	33,590,037	2,614,088	0	36,204,125
Improvements	34,298,923	3,029,095	0	37,328,018
Infrastructure	1,490,116	382,762	0	1,872,878
Equipment	94,593,254	11,113,248	6,449,034	99,257,468
Total accumulated depreciation	<u>163,972,330</u>	<u>17,139,193</u>	<u>6,449,034</u>	<u>174,662,489</u>
Total capital assets being depreciated, net	<u>168,332,920</u>	<u>(1,371,919)</u>	<u>344,857</u>	<u>166,616,144</u>
Governmental activities capital assets, net	<u>\$ 228,070,468</u>	<u>22,407,508</u>	<u>6,188,247</u>	<u>244,289,729</u>

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	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 25,937,411	0	0	25,937,411
Construction in progress	168,047,440	158,384,465	17,207,422	309,224,483
Total capital assets not being depreciated	<u>193,984,851</u>	<u>158,384,465</u>	<u>17,207,422</u>	<u>335,161,894</u>
Capital assets being depreciated				
Buildings	165,356,349	506,920	0	165,863,269
Improvements	348,166,873	18,137,933	0	366,304,806
Equipment	34,320,129	1,128,890	239,950	35,209,069
Total capital assets being depreciated	<u>547,843,351</u>	<u>19,773,743</u>	<u>239,950</u>	<u>567,377,144</u>
Less accumulated depreciation for:				
Buildings	71,302,726	3,325,570	0	74,628,296
Improvements	114,684,005	7,897,425	0	122,581,430
Equipment	27,381,251	1,435,040	173,810	28,642,481
Total accumulated depreciation	<u>213,367,982</u>	<u>12,658,035</u>	<u>173,810</u>	<u>225,852,207</u>
Total capital assets being depreciated, net	<u>334,475,369</u>	<u>7,115,708</u>	<u>66,140</u>	<u>341,524,937</u>
Business-type activities capital assets, net	<u>\$ 528,460,220</u>	<u>165,500,173</u>	<u>17,273,562</u>	<u>676,686,831</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	\$ 1,313,271
Public Safety	2,832,709
Physical Environment	71,669
Transportation	726,146
Economic Environment	17,898
Culture and Recreation	4,756,677
Capital assets held in the City's internal service funds are charged to general government	<u>7,420,823</u>
	<u>\$ 17,139,193</u>
Business-type activities:	
Water and Sewer	\$ 9,705,952
Sanitation	91,550
Parking System	1,093,573
Airport	1,386,748
Stormwater	<u>380,213</u>
	<u>\$ 12,658,036</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 \$930,448 was derived exclusively from operations. The equity interests of the City, the PACA and the DDA totaled \$1,010,048, \$1,192,637 and \$588,300, respectively at September 30, 2007. 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 \$2 million for employees with statutory limits per occurrence. Property insurance has been purchased for City structures with a standard deductible of \$100,000, a windstorm deductible of \$15 million per occurrence, a flood deductible of \$500,000 per location and terrorism deductible of the greater of \$100,000 or 1% of the value of the property insured per location. 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, 2007 of \$30,263,413 (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, 2006 and 2007 follow:

	<u>Medical</u>		<u>Total</u>
	<u>Benefits</u>	<u>Other</u>	
Balance October 1, 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	1,908,853	24,798,102	26,706,955
New Claims and Changes in Estimates	10,515,693	11,012,665	21,528,358
Claim Payments	<u>(10,952,835)</u>	<u>(7,019,065)</u>	<u>(17,971,900)</u>
Balance September 30, 2007	\$ <u>1,471,711</u>	<u>28,791,702</u>	<u>30,263,413</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, 2007 are as follows:

<u>Year Ending</u> <u>September 30</u>	
2008	\$ 1,292,983
2009	909,301
2010	683,190
2011	638,304
2012	<u>483,006</u>
Total Lease Payment	4,006,784
Less: Amount of Interest	<u>(349,914)</u>
Present Value of Lease Payments	<u>\$ 3,656,870</u>

(11) LONG-TERM DEBT:

Bonds outstanding at September 30, 2007 mature in varying amounts during succeeding fiscal years through 2035. Interest rates on fixed rate debt are as follows: 3.0% to 4.38% on general obligation bonds, 4.0% on excise tax bonds, 2.75% to 5.0% on water and sewer revenue bonds, 5.07% on sanitation revenue bonds, 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 3.83% and the taxable loan averaging 5.54%. The Florida Intergovernmental Financing Commission tax-exempt loan is also a variable rate instrument averaging 3.8%. The average variable rate on tax increment revenue bonds is 5.23%.

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2007 (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				Sunshine			
	Obligation Bonds		Excise Tax Bonds		Tax Increment Bonds		State Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 2,315	1,555	3,380	276	1,147	891	965	289
2009	2,385	1,485	3,520	141	1,192	838	995	251
2010	2,455	1,412	0	0	1,232	783	1,045	211
2011	2,545	1,333	0	0	1,277	726	825	169
2012	2,630	1,250	0	0	1,382	667	320	136
2013-2017	14,715	4,739	0	0	12,461	604	1,775	456
2018-2022	3,050	2,829	0	0	0	0	1,150	113
2023-2027	3,710	2,163	0	0	0	0	0	0
2028-2032	4,570	1,311	0	0	0	0	0	0
2033-2035	3,245	288	0	0	0	0	0	0
Total	\$ 41,620	18,365	6,900	417	18,691	4,509	7,075	1,625

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
2008	\$ 700	380	3,495	7,889	370	180	2,098	1,261
2009	700	353	3,615	7,767	395	161	2,587	1,420
2010	725	315	3,745	7,636	415	140	2,651	1,356
2011	750	299	3,885	7,500	440	119	2,715	1,292
2012	775	271	4,030	7,354	465	97	2,782	1,225
2013-2017	4,375	884	22,825	34,193	1,550	141	14,965	5,070
2018-2022	1,975	113	28,020	28,948	0	0	16,892	3,143
2023-2027	0	0	35,055	21,747	0	0	15,918	994
2028-2032	0	0	44,075	12,710	0	0	627	7
2033-2035	0	0	31,590	2,515	0	0	0	0
Total	\$ 10,000	2,615	180,335	138,259	3,635	838	61,235	15,768

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.

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

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City 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, 2007, funds available met the debt service requirements for revenue bonds.

At September 30, 2007, the City had an arbitrage rebate liability of \$5,003 on the Sunshine State Financing Commission loans, \$383,281 on the General Obligation Bonds, Series 2005 and \$69,742 on the Florida Intergovernmental Financing Commission loan. These liabilities are for the computation periods extending from the issue dates. The ultimate liabilities will be determined at the end of the loan construction periods and may be greater or less than the current liabilities.

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, 2007, 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 had four loans outstanding as of September 30, 2007. 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, 2007, the City's liability for this loan totaled \$8,732,806.

On June 29, 2004 a second loan agreement was entered into for \$20,350,400, carrying an interest rate of 2.71% and providing 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, 2007, the City's liability for this loan totaled \$19,626,534.

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, 2007, the City's liability for this loan totaled \$12,264,867.

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. The loan principal was increased to \$40,619,300 on October 6, 2006. The additional principal amount of \$20,225,800 carried an interest rate of 2.24%. As of September 30, 2007, the City's liability for this loan totaled \$20,611,503.

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

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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.

Following is a summary of the changes in the City's long-term liabilities for the fiscal year ended September 30, 2007:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 47,405,000	0	(5,785,000)	41,620,000	2,315,000
Excise Tax Bonds	9,240,000	0	(2,340,000)	6,900,000	3,380,000
Tax Increment Bonds	19,803,000	0	(1,112,000)	18,691,000	1,147,000
Florida Intergovernmental Loans	11,150,000	0	(1,150,000)	10,000,000	700,000
Sunshine State Loans	7,995,000	0	(920,000)	7,075,000	965,000
Unamortized Bond Discounts and Gains/Losses on Advance Refundings	(1,208,104)	0	180,271	(1,027,833)	0
Lease Purchase Agreements	5,339,185	0	(1,682,315)	3,656,870	1,158,399
Estimated Insurance Claims Payable	26,706,955	21,528,358	(17,971,900)	30,263,413	10,517,214
Compensated Absences	<u>21,883,688</u>	<u>12,310,486</u>	<u>(13,181,538)</u>	<u>21,012,636</u>	<u>4,763,326</u>
Total Governmental Activities	\$ <u>148,314,724</u>	<u>33,838,844</u>	<u>(43,962,482)</u>	<u>138,191,086</u>	<u>24,945,939</u>
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Business-Type Activities:					
Revenue Bonds	\$ 87,150,000	100,000,000	(3,180,000)	183,970,000	3,865,000
State Revolving Fund Loans	36,037,564	27,271,912	(2,073,766)	61,235,710	2,869,903
Unamortized Bond Premiums and Discounts	(724,993)	1,130,591	(4,733)	400,865	0
Land-fill Post Closure Costs	3,533,000	0	(141,000)	3,392,000	0
Compensated Absences	<u>3,659,669</u>	<u>2,280,264</u>	<u>(2,428,880)</u>	<u>3,511,053</u>	<u>801,188</u>
Total Business-Type Activities	\$ <u>129,655,240</u>	<u>130,682,767</u>	<u>(7,828,379)</u>	<u>252,509,628</u>	<u>7,536,091</u>

Internal service funds predominantly serve the governmental funds. Accordingly, their long-term liabilities totaling \$33.7 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

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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 City's share of remediation costs to \$8,325,000, excluding ancillary costs. As of September 30, 2007, the site is remediated and the liability stands at \$3,392,000 to provide for estimated post closure care costs.

(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 hired prior to October 1, 2007 except police and firefighters. The City's payroll for employees covered by the plan applicable to the September 30, 2006 actuarial valuation was approximately \$64,239,400. The total City payroll at that time was approximately \$138,597,000. As of the valuation date, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	1,183
Terminated employees entitled to benefits but not yet receiving them	118
Fully, partially and non-vested active plan participants	1,386

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 benefit and enter the Deferred Retirement Option Plan (DROP). Each participant in the DROP has

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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 25.1%. See further disclosure concerning the General Employees Retirement System in note 18.

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, 2006 actuarial valuation was approximately \$42,842,000. The total City payroll at that time was approximately \$138,915,000. As of the valuation date, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	863
Terminated employees entitled to benefits but not yet receiving them	25
Fully, partially and non-vested active plan participants	641

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 \$5,872,529 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 49.9% and 14.3%, 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>
2005	\$ 14,036,569	100%	\$16,402,796	100%
2006	14,749,038	100	19,824,618	100
2007	15,188,106	100	20,472,413	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, 2005	December 31, 2005
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	18-30 Years	17-20 Years
Asset Valuation Method	Five year smoothed market	Investment earnings greater than assumed rate over 5 year
Actuarial Assumptions:		
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 62). In addition, the General Employees and Police and Firefighters Retirement Systems issue 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 \$749,600. The total City payroll for the year was approximately \$143,196,000.

The City contribution requirement of 23.62% on earnings of participants was paid on a biweekly basis and amounted to \$204,224 for the current year. Employee contributions are neither required

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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.

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 \$1,313,005. The total City payroll for the year was approximately \$143,196,000.

The City contribution requirement of 21.0% on earnings of participants was paid on a biweekly basis and amounted to \$292,041 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, 2007, there were 582 retired employees receiving the benefit with an additional 1,986 employees eligible for participation in the future. Payments totaled \$2,049,393 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.

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The lease agreement provides for a minimum guaranteed annual rental of \$300,000 per year. In addition, the City receives contingent rentals (\$816,052 in 2007) based upon escalating percentages of gross receipts for the duration of the agreement.

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 \$685,498 in the current year. Minimum future rentals on these leases as of September 30, 2007 follow:

Fiscal Year Ending in:	<u>Aviation Leases</u>	<u>Land Leases</u>	<u>Total</u>
2008	\$ 1,205,664	2,741,254	3,946,918
2009	1,205,664	2,741,254	3,946,918
2010	1,184,179	2,741,254	3,925,433
2011	1,177,017	2,741,254	3,918,271
2012	1,177,017	2,741,254	3,918,271
Later Years	19,961,368	68,154,764	88,116,132
	<u>\$ 25,910,909</u>	<u>81,861,034</u>	<u>107,771,943</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, 2007:

<u>Water and Sewer Fund</u>	
Collection and Distribution Systems	\$ 85,001,590
Wastewater Plant Improvements	3,772,763
Water Treatment Plants	
Improvements	6,267,770
Sanitary Sewers	45,424,519
Water Well Field Improvements	281,811
Other	8,045,268
	<u>148,793,721</u>
<u>Sanitation</u>	
Wingate Landfill Closure	397,826
Other	322,341
	<u>720,167</u>
<u>Parking System Fund</u>	
Downtown Parking Garages	565,998
Other	203,878
	<u>769,876</u>
<u>Airport Fund</u>	
Airport Fire Station	500,192
Other	805,587
	<u>1,305,779</u>
<u>Stormwater Fund</u>	
Storm Drainage	1,831,540
	<u>\$ 153,421,083</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 considered alternate uses for the property and obtained an extension from the EPA on the deadline for sale of the property until a final decision was 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 retained title to the property. As of September 30, 2007 the City had made the first of two equal payments on the liability, leaving a balance due to the EPA of \$2,980,313 in the Water and Sewer fund to be paid in fiscal year 2008.

During fiscal years 2005 through 2007, the City incurred expenses (preparation, cleanup and repairs) totaling over \$59 million as a result of the impact of Hurricane Katrina in August 2005 and 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, 2007, the City has a net receivable outstanding related to estimated expected reimbursements from the federal government of approximately \$23 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, 2007.

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 EVENTS

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) increases the current \$25,000 homestead exemption by another \$25,000, except for school district taxes. Since the increase does not apply to school district taxes, this effectively amounts to a \$15,000 increase in the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. In addition, Amendment 1 allows property owners to transfer up to \$500,000 of their Save Our Homes exemption to their next home when they sell their current home. The Save Our Homes exemption became effective in 1995 and limits the annual increase in assessed value for homestead property to the lower of three percent (3%) or the change in the Consumer Price Index.

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Amendment 1 also limits the annual increase in assessed value for non-homestead property to ten percent (10%), except for school district taxes, and provides a \$25,000 exemption for tangible personal property.

The amendment becomes effective October 1, 2008, except for the ten percent (10%) assessment cap on non-homestead property, which becomes effective January 1, 2009.

Based on information received from the Broward County Property Appraiser's Office, the estimated annual loss of property tax revenues for the City from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$4.15 million. At present, there is no accurate way to estimate the impact of the portability of Save Our Homes and the 10% cap on non-homestead property provisions on property tax revenues.

As disclosed in Note 4, the City had \$291,181,697 invested in the Florida State Investment Pool on September 30, 2007. On November 29, 2007, the State board of Administration implemented a temporary freeze on the assets held in the pool due to an unprecedented amount of withdrawals from the pool coupled with the absence of market liquidity for certain securities within the pool. The withdrawals followed reports that the pool contained asset-backed commercial paper that was subject to sub-prime mortgage risk.

On November 29, 2007, pursuant to a resolution adopted at a special meeting of the City Commission, the City of Fort Lauderdale withdrew all of its funds invested in the pool at the time (\$259,366,602) before the above mentioned temporary freeze was imposed. The Commission also authorized the amendment of the City's Investment Policy to allow funds to be invested in a money market mutual fund comprised only of U.S. Government securities. Subsequently, the policy was amended to limit the City's investment in the pool to no more than 25% of available funds in the City's portfolio.

Through collective bargaining with the general, supervisory and professional City employees, a new single-employer defined contribution pension plan has been established for employees hired on or after October 1, 2007 and the General Employees Retirement System has been closed to new entrants beginning on that date. The new plan provides for a fixed City contribution of 9% of employee earnings. As a result, future City contributions for employees enrolled in the General Employees Retirement System are expected to increase above current levels.