

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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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 179,700 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.

The Northwest Neighborhood Improvement District (NWNID) is governed by a five-member board appointed by the City Commission.

(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

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flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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 fund:

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 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:

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

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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

The City considers cash on hand, cash with fiscal agents, demand deposits, certificates of deposit and bank repurchase agreements as cash and cash equivalents.

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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 sources are recorded as contributions when received and are stated at estimated fair value. Additions, improvements and expenditures that significantly extend the useful

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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 Postclosure Costs

Landfill postclosure care costs represent an estimate of the City's remaining costs to monitor the City's former landfill site. These costs are 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 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.

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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.

(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 \$99,577,491 difference are as follows:

Bonds payable	\$ 60,369,000
Notes payable	15,410,000
Capital lease obligations	292,608
Other post employment benefits	808,892
Compensated absences and longevity pay	21,094,187
Accrued interest payable	480,230
Deferred debt issuance costs	(492,083)
Unamortized bond discount	(186,106)
Unamortized gains and losses on advance refunding of bonds	(672,817)
Elimination of investment in special assessment loan	<u>2,473,580</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$ <u>99,577,491</u>

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- (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 \$2,978,975 difference are as follows:

Capital outlay	\$ 13,174,597
Depreciation expense	<u>(10,195,622)</u>
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net assets – governmental activities	<u>\$ 2,978,975</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 \$(12,590).

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 \$9,491,495 difference are as follows:

Principal repayments	
Bonds payable	\$ 6,842,000
Notes payable	2,537,917
Capital lease obligations	295,428
Debt proceeds	<u>(183,850)</u>
Net adjustment to decrease net changes in fund balance – total governmental funds to arrive at changes in net assets – governmental activities	<u>\$ 9,491,495</u>

Another element of the reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$(1,579,886) difference are as follows:

Accrued interest payable	\$ 7,656
Amortization of deferred debt issuance costs	(67,918)
Amortization of bond discounts	(30,016)
Amortization of gains and losses on advance refunding of bonds	(138,894)
Other post employment benefits	(808,892)
Compensated absences and longevity pay	<u>(541,822)</u>
Net adjustment to decrease net changes in fund balance – total governmental funds to arrive at changes in net assets – governmental activities	<u>\$ (1,579,886)</u>

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(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.

(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	\$ 91,547,972
Basis of accounting adjustments	
Encumbrances	<u>(6,795,648)</u>
Statement of revenues, expenditures and	
Changes in fund balances – budget and actual – page 20	\$ <u>84,752,324</u>

The Procurement Services Department within the General Fund has an excess of actual expenditures over budget for the year of \$164,539.

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(4) CASH AND CASH EQUIVALENTS AND INVESTMENTS:

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

In accordance with Section 218.415, Florida Statutes, the City's investment policy applies to all cash and investments held or controlled by the City and shall be identified as "general operating funds" of the City with the exception of the City's Pension Funds, Deferred Compensation and Section 401(a) Plans and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. The policy was adopted on September 4, 2001 and subsequently amended on March 1, 2008.

Permitted investments, asset allocation limits, issuer limits, credit rating requirements and maturity limits are detailed in the policy in order to protect the City's cash and investments. The current policy allows for the purchase of the following investments: U.S. Government Securities, U.S. Government Agency Securities, Federal Instrumentalities, interest bearing time deposits or 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 investment companies (money market mutual funds), and intergovernmental investment pools.

Cash and Cash Equivalents

Custodial Credit Risk – Deposits

Custodial Credit Risk for deposits is the risk in the event of the failure of a depository financial institution, a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The City's investment policy requires that they City's public deposits be held in a State Qualified Public Depository as defined in Section 280.02, Florida Statutes.

As of September 30, 2008, the bank balance totaled \$17,195,814, of which \$16,776,698 was deposited in a State Qualified Public Depository and \$419,116 was insured by the Federal Depository Insurance Corporation (FDIC). Cash on hand totaled \$48,171.

Investments

The City's investment holdings are organized into six portfolios. Three portfolios are governed by the City's investment policy (the City's portfolios): Surplus Funds Pooled Investments, Water and Sewer Investments and 2005 General Obligation Bond Proceeds. The remaining three portfolios, the Cemetery Perpetual Care Fund, the Police & Fire Retirement System Fund, and the General Employees' Retirement System Fund are controlled by their respective policies.

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", all investments are reported at fair value. Compositions of the portfolios as of September 30, 2008 are:

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Portfolio No. 1 Surplus Funds Pooled Investments, \$395,744,728

The pooled investments portfolio consists of investments in U.S. Government Securities, U.S. Government Agency Securities, Federal Instrumentalities, “The Reserve” Government Money Market Fund, corporate obligations, Morgan Stanley Institutional Liquidity Fund and Wachovia Government Money Market Account. Interest receivable on this portfolio at September 30, 2008 was \$455,043.

The remaining proceeds of several long-term debt issues are a part of this portfolio. All of these funds are in the Wachovia Money Market Account, which complies with each individual debt issue’s investment requirements.

1997 General Obligation Construction Bonds	\$ 1,161,898
1998 Sunshine State Loan	313
2000 Sunshine State Loan	98,331
2003 Sunshine State Loan	31,691
1998C Excise Tax Improvement Bonds	1,869,004
2002 FIFC Construction Loan	1,770,801
2004 Tax Increment Revenue Bonds, AMT	2,232,322
2004 Tax Increment Revenue Bonds, Non-AMT	11,205,158
	<u>\$18,369,518</u>

Portfolio No. 2 Water and Sewer Investments, \$41,884,730

This portfolio includes investments of the Water and Sewer Enterprise Fund. At September 30, 2008, \$34,237,567 was deposited in the Wachovia Government Money Market Account, \$1,550,000 in “The Reserve” Government Money Market Fund, and \$6,097,163 was invested in Federal Instrumentalities through PFM Asset Management, LLC. Interest receivable on this portfolio at September 30, 2008 was \$46,713.

Portfolio No. 3 2005 General Obligation Bond Proceeds, \$11,193,304

The 2005 General Obligation Bond proceeds are governed by City Ordinance No. 05-87, which states that bond funds may be invested by the City in such investments as are permitted by applicable law. The remaining proceeds are invested in the Wachovia Government Money Market Account. There was no interest receivable on this portfolio at September 30, 2008.

Portfolio No. 4 Cemetery Perpetual Care Fund, \$15,084,049

Investments permitted by this fund’s investment policy include U.S. Government Securities, U.S. Government Guaranteed Obligations, Federal Instrumentalities, 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, 2008 this portfolio consists of investments in U.S. Government Securities, Federal Instrumentalities, money market funds, corporate obligations, and common and preferred stock. Interest receivable on this portfolio at September 30, 2008 was \$83,646.

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Portfolio No. 5 Police & Fire Retirement System Fund, \$412,612,928

Investments permitted by this fund's investment policy include equity securities and fixed income securities including cash, U.S. Government Agency Securities, Federal Instrumentalities, marketable corporate obligations, Government National Mortgage Association loans, U.S. Government agency collateralized mortgage-backed securities, debentures, preferred stocks, commercial paper, certificates of deposits 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, 2008 investments of this portfolio include U.S. Government securities, U.S. Government Agency Securities, Federal Instrumentalities, money market funds, corporate obligations, municipal bonds and common stock. Interest Receivable on this portfolio at September 30, 2008 was \$818,556.

Portfolio No. 6 General Employees' Retirement System Fund, \$290,057,967

Investments permitted by this fund's investment policy include U.S. Government securities, U.S. Government Agency Securities, Federal Instrumentalities, 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, 2008 this portfolio consists of investments in U.S. Government securities, U.S. Government Agency Securities, Federal Instrumentalities, money market funds, corporate obligations, common stock and real estate. Interest receivable on this portfolio at September 30, 2008 was \$945,602.

Interest Rate Risk

Interest rate risk is the possibility that interest rates will rise and reduce the market value of an investment. The City manages its portfolios' exposure to declines in fair market value due to rising interest rates by limiting individual investments to maturities of ten (10) years or less from the date of purchase. Also, the overall "weighted average maturity" shall be less than three (3) years. The other portfolios use either the "duration" method or the "weighted average maturity" as measurements of interest rate risk. The following table illustrates the interest rate risk for debt investments:

<u>Portfolio No. 1</u> <u>Surplus Funds Pooled Investments</u>	<u>Fair Market</u> <u>Value</u>	<u>Weighted</u> <u>Average Maturity</u>
U. S. Government Securities	\$31,768,525	1.86
U.S. Government Agency Securities	751,643	0.12
Federal Instrumentalities		
Federal Home Loan Mortgage Corporation	18,301,466	1.91
Federal Home Loan Bank	10,518,621	1.46
Federal National Mortgage Association	15,673,665	2.15
Federal Farm Credit Bank	4,888,722	1.98
Corporate Obligations	13,047,986	1.94

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Portfolio No. 2 <u>Water and Sewer Investment Fund</u>	Fair Market Value	Weighted Average Maturity
Federal Instrumentalities		
Federal Home Loan Bank	\$ 6,097,163	0.85
Portfolio No. 3 <u>2005 General Obligation Bond Proceeds</u>	Fair Market Value	Weighted Average Maturity
No Debt Investments	\$ 0	-
Portfolio No. 4 <u>Cemetery Perpetual Care Fund</u>	Fair Market Value	Weighted Average Maturity
U. S. Government Securities	\$ 1,070,315	5.37
Federal Instrumentalities		
Federal Home Loan Mortgage Corporation	260,938	7.55
Corporate Obligations	3,855,716	3.52
Portfolio No 5 <u>Police & Fire Retirement System Fund</u>	Fair Market Value	Duration
Agincourt Bond Fund (aggregate)*	\$70,515,887	4.67
Mellon Bond Index Fund (aggregate)*	67,994,607	4.39
Portfolio No. 6 <u>General Employees Retirement System Fund</u>	Fair Market Value	Weighted Average Maturity
Debt Investment (aggregate)*	\$70,926,900	4.16

*The Agincourt Bond Fund and the Mellon Bond Index Fund in Portfolio No. 5 and the aggregate Debt Investments of Portfolio No. 6 included U.S. Treasury Securities, U.S. Government Agency Securities and Corporate Obligations. The Agincourt Bond Fund also includes other bonds.

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. 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.

Portfolio No. 1 Surplus Funds Pooled Investments

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

Corporate Notes

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.

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As of September 30, 2008, \$13,047,986 of the City's investments were in corporate issues and met or exceeded the minimum rating requirements at the time of purchase.

Registered Investment Companies (Money Market Funds)

The policy requires Money Market Funds, other than funds which are invested 100% in U.S. Treasury Securities, be rated a "AAAm" or "AAAm-g."

The City portfolios included \$82,091,198 in the Morgan Stanley Institutional Liquidity Fund, rated AAAM. It also contained \$123,949,154 in the "The Reserve" Government Money Market Fund, which was not rated, as of September 30, 2008.

Federal Instrumentalities

Although the City's Investment Policy states no rating requirement for in Federal Instrumentalities, all investments of this type were rated AAA by Standard & Poor's or Aaa by Moody's Investor Service. This portfolio held \$49,382,474 in this type of investment.

Portfolio No. 2 Water and Sewer Investments

This portfolio held \$6,097,163 in Federal Home Loan Bank Bonds, rated AAA by Standard & Poor's and \$1,550,000 in the "The Reserve" Government Money Market Fund, which was not rated, as of September 30, 2008.

Portfolio No. 3 2005 General Obligation Bond Proceeds

This portfolio held no debt obligations.

Portfolio No. 4 Cemetery Perpetual Care 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 the policies requirement at September 30, 2008.

Portfolio No. 5 Police & Fire Retirement System Fund

As permitted by GASB Statement No. 40, this portfolio manages interest rate risk and credit risk in the aggregate by asset class. The portfolio includes two investment grade core bond portfolios, one managed by Agincourt that has a duration of 4.60 years 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 years 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, 2008.

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Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the transaction, a government may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Wachovia Money Market Account is covered under Section 280.02, Florida Statutes, as a deposit in a State Qualified Public Depository. All other portfolio investments were held with third-party custodians as required by their respective investment policies.

Concentration of Credit Risk

GASB Statement No. 40 requires disclosure of investments in any one issuer that represent five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments. Per this disclosure requirement, none of city's investments were with any one single issuer that represents 5% or more of the total of all of the city's portfolios.

In addition, the City's Investment Policy establishes limits on portfolio composition, both by investment type and by issuer. As of September 30, 2008, the City's portfolios consisted of the following:

<u>Investment</u>	<u>Amount</u>	<u>Percent of Portfolio</u>	<u>Maximum Portfolio</u>	<u>Maximum Per Issuer</u>
Wachovia Money Market Account	\$140,065,119	31.2%		
"The Reserve" Government Money Market Fund	125,499,154	28.0%	75.0%	25.0%
Morgan Stanley Institutional Liquidity Fund	82,091,198	18.3%	75.0%	25.0%
U. S. Government Securities	31,768,525	7.0%	100.0%	100.0%
U.S. Government Agency Securities	751,643	0.2%	50.0%	25.0%
Federal Instrumentalities			100.0%	
Federal Home Loan Mortgage Corporation	18,301,466	4.1%		25.0%
Federal Home Loan Bank	10,518,621	3.7%		25.0%
Federal National Mortgage Association	15,673,665	3.5%		25.0%
Federal Farm Credit Bank	4,888,722	1.1%		25.0%
Corporate Obligations	13,047,986	2.9%	25.0%	5.0%
Deutchebank Interest Account	119,500	0%	10.0%	10.0%
	<u>\$448,822,762</u>	<u>100.0%</u>		

There is no limitation in the investment policy as to the amount of funds allowable in the Wachovia Money Market Account. This account is highly liquid and the funds are held in a State Qualified Public Depository. "The Reserve" Government Money Market Fund exceeded the allowable percentage of 25.0% at September 30, 2008. Withdrawals could not be made to meet the investment policy's requirement due to temporary restrictions on withdrawals imposed of the Board of Trustees of "The Reserve". See further disclosures concerning this investment in note 18.

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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 exposure to foreign currency risk is as follows.

Portfolio No. 4 Cemetery Perpetual Care Fund Investment	Currency	Maturity	Fair Market Value
Burlington Res Fin Co	Canadian Dollar	12/01/2031	\$ 263,720
Cadbury PLC	British Pound	N/A	16,171
Goldcorp Inc	Canadian Dollar	Not Applicable	11,071
Ultra Pete Corp	Canadian Dollar	Not Applicable	19,812
Petroleo Brasileiro SA Petrobr	Brazilian Real	Not Applicable	97,217
Teva Pharmaceutical Inds Ltd	Israeli Shekel	Not Applicable	22,758
Ace Ltd	Swiss Franc	Not Applicable	44,278
Nokia Corp	Euro	Not Applicable	41,590
America Movil S A B DE CV	Mexican Peso	Not Applicable	36,532
Companhia Vale DO RIO DOCE	Brazilian Real	Not Applicable	27,710
Embraer-Empresa Brasileir DE Aeronautical	Brazilian Real	Not Applicable	30,494
Sterlite Inds India Ltd	Indian Rupee	Not Applicable	22,201
Agnico Eagle Mines Ltd	Canadian Dollar	Not Applicable	6,497
Agrium Inc	Canadian Dollar	Not Applicable	5,440
Asml Hldings N V NY Reg	Euro	Not Applicable	6,657
Core Laboratories N V	Euro	Not Applicable	5,674
Potash Corp Sask Inc	Canadian Dollar	Not Applicable	16,501
Research In Motion Ltd	Canadian Dollar	Not Applicable	3,825
Mindray Med Intl Ltd	Hong Kong Dollar	Not Applicable	7,252
Eurand NV	Euro	Not Applicable	7,772
Lululemon Athletica Inc	Canadian Dollar	Not Applicable	6,103
Bluephoenix Solutions Ltd	Israeli Shekel	Not Applicable	964
Nortel Networks Corp	Canadian Dollar	Not Applicable	159
			<u>\$ 700,398</u>

Portfolio No. 5 Police and Fire Retirement System Investment	Currency	Maturity	Fair Market Value
Pemex Proj FDG Master TR	Mexican Peso	03/01/2018	\$ 137,214
Rio Tinto Fin USA Ltd	Australian Dollar	07/15/2013	357,813
CDN Nat Res Ltd	Canadian Dollar	05/15/2017	144,241
Amer Movil SAB	Mexican Peso	11/15/2017	103,053
America Movil S A DE C V GTD	Mexican Peso	03/01/2014	356,367
Telefonos De Mexico S A NT	Mexican Peso	01/27/2015	377,428
Coca-Cola HBC FIN B V NT	Euro	09/17/2013	241,576
Deutsche Telekom Intl FIN	Euro	06/15/2030	333,636
Norsk Hydro AS DEB	Norwegian Krone	01/15/2018	227,528
Norsk Hydro AS DEB	Norwegian Krone	10/01/2016	219,829
Telefonica Emisiones SAU	Euro	06/20/2016	195,678
Telefonica Emisiones SAU	Euro	07/03/2017	160,030
British Telecommunications PLC	British Pound	12/15/2030	219,469
Glaxosmithkline Cap Inc GTD	British Pound	05/15/2018	118,678
Vodafone Group PLC New Global NT	British Pound	09/15/2015	202,412
CF Artio Equities II Group TR Fd	Various	Not Applicable	7,867,983
Check PT software Technologies	Israeli Shekel	Not Applicable	411,594
CNH Global NV	Euro	Not Applicable	215,992
			<u>\$ 11,890,521</u>

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Portfolio No. 6 General Employees Retirement System Investment	Currency	Maturity	Fair Market Value
HIS Emerging Markets Fund	Various	Not Applicable	\$ 4,871,418
Schroder Emerging Markets Fund	Various	Not Applicable	5,895,477
Credit Suisse	Various	Not Applicable	14,160,779
Templeton Funds Inc Foreign	Various	Not Applicable	15,937,398
			<u>\$ 40,865,072</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, 2007, upon which the 2007-08 levy was based, was approximately \$31.3 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 2007-08 fiscal year were 4.1193 mills for operations and 0.1289 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, 2008 were approximately 98.6% of the total tax levy.

(6) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Individual interfund receivable and payable balances at September 30, 2008 follow:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>	Due To Other Funds- <u>Restricted</u>	Advances From <u>Other Funds</u>	Advances To <u>Other Funds</u>
<u>Governmental Funds</u>					
General Fund	\$ 35,377	68,183	0	0	16,374,485
Non-Major Governmental Funds					
Intergovernmental Revenue Fund	0	0	0	16,374,485	0
General Capital Projects Fund	46,511	0	0	0	0
Florida Intergovernmental Construction 2002	0	0	17,041	0	0
Excise Tax Construction 1998C	0	0	18,336	0	0
Perpetual Care Fund	0	0	46,511	0	0
	<u>81,888</u>	<u>68,183</u>	<u>81,888</u>	<u>16,374,485</u>	<u>16,374,485</u>
<u>Enterprise Funds</u>					
Water and Sewer Fund	<u>2,325,370</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2,325,370</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Fiduciary Funds</u>					
General Employees Pension Fund	0	455,526	0	0	0
Police and Fire Pension Fund	68,183	1,869,844	0	0	0
	<u>68,183</u>	<u>2,325,370</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 2,475,441</u>	<u>2,393,553</u>	<u>81,888</u>	<u>16,374,485</u>	<u>16,374,485</u>

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The payables to the Water and Sewer fund from the pension trust funds totaling \$2,325,370 were for operating expenses of the funds paid by the City that were reimbursed from the pension trusts in October 2008. 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 amount due to the General Capital Projects Funds is to fund related facilities being constructed and will be liquidated as cash is needed to meet contractor obligations. The Intergovernmental Revenue Fund payable to the General Fund of \$16,374,485 represented a long-term borrowing that will be repaid using grant receipts.

The composition of interfund transfers for the year ended September 30, 2008 was as follows:

	Transfers In			
	Non-major Governmental Funds			
<u>Transfers Out</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Subtotal</u>
Governmental Funds				
General Fund	\$ 4,517,838	9,695,004	3,302,592	17,515,434
Non-Major Governmental Funds				
Special Revenue Funds	27,243	1,863,580	94,654	1,985,477
Capital Projects Funds	506,741	0	0	506,741
Permanent Fund	0	0	75,670	75,670
	<u>533,984</u>	<u>1,863,580</u>	<u>170,324</u>	<u>2,567,888</u>
Enterprise Funds				
Sanitation Fund	0	0	119,166	119,166
Non-Major Enterprise Funds	538,085	0	0	538,085
	<u>538,085</u>	<u>0</u>	<u>119,166</u>	<u>657,251</u>
Internal Service Funds	0	125,036	0	125,036
	<u>\$ 5,589,907</u>	<u>11,683,620</u>	<u>3,592,082</u>	<u>20,865,609</u>

	Transfers In (Continued)				
	Enterprise Funds			Internal Service Funds	Total
<u>Transfers Out (Continued)</u>	<u>Sanitation</u>	<u>Non-Major Enterprise</u>	<u>Subtotal</u>		
Governmental Funds					
General Fund	\$ 124	0	124	230,464	17,746,022
Non-Major Governmental Funds					
Special Revenue Funds	0	85,779	85,779	0	2,071,256
Capital Projects Funds	0	0	0	0	506,741
Permanent Fund	0	0	0	0	75,670
	<u>0</u>	<u>85,779</u>	<u>85,779</u>	<u>0</u>	<u>2,653,667</u>
Enterprise Funds					
Sanitation Fund	0	0	0	0	119,166
Non-Major Enterprise Funds	0	0	0	20,511	558,596
	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,511</u>	<u>677,762</u>
Internal Service Funds	0	0	0	0	125,036
	<u>\$ 124</u>	<u>85,779</u>	<u>85,903</u>	<u>250,975</u>	<u>21,202,487</u>

The City transfers funds from the General fund and the Community Redevelopment Agency special revenue fund to the debt service funds to meet debt service requirements. Funds are provided from the corresponding revenues pledged for those purposes. Transfers from the

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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. 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.

(7) CAPITAL ASSETS:

Capital Asset activity for governmental and business-type activities for the year ended September 30, 2008 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 53,549,913	49,432	0	53,599,345
Construction in progress	<u>24,123,672</u>	<u>9,830,772</u>	<u>15,039,113</u>	<u>18,915,331</u>
Total capital assets not being depreciated	<u>77,673,585</u>	<u>9,880,204</u>	<u>15,039,113</u>	<u>72,514,676</u>
Capital assets being depreciated				
Buildings	118,298,363	7,192,296	0	125,490,659
Improvements	76,244,657	4,120,645	0	80,365,302
Infrastructure	11,879,817	2,056,926	0	13,936,743
Equipment	<u>134,855,796</u>	<u>13,275,762</u>	<u>5,716,808</u>	<u>142,414,750</u>
Total capital assets being depreciated	<u>341,278,633</u>	<u>26,645,629</u>	<u>5,716,808</u>	<u>362,207,454</u>
Less accumulated depreciation for:				
Buildings	36,204,125	2,691,297	0	38,895,422
Improvements	37,328,018	3,135,500	0	40,463,518
Infrastructure	1,872,878	435,370	0	2,308,248
Equipment	<u>99,257,468</u>	<u>11,399,303</u>	<u>5,356,295</u>	<u>105,300,476</u>
Total accumulated depreciation	<u>174,662,489</u>	<u>17,661,470</u>	<u>5,356,295</u>	<u>186,967,664</u>
Total capital assets being depreciated, net	<u>166,616,144</u>	<u>8,984,159</u>	<u>360,513</u>	<u>175,239,790</u>
Governmental activities capital assets, net	<u>\$ 244,289,729</u>	<u>18,864,363</u>	<u>15,399,626</u>	<u>247,754,466</u>

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 25,937,411	0	0	25,937,411
Construction in progress	309,224,483	143,080,686	86,194,349	366,110,820
Total capital assets not being depreciated	<u>335,161,894</u>	<u>143,080,686</u>	<u>86,194,349</u>	<u>392,048,231</u>
Capital assets being depreciated				
Buildings	165,863,269	14,867,832	0	180,731,101
Improvements	366,304,806	70,836,494	0	437,141,300
Equipment	35,209,069	2,328,850	113,537	37,424,382
Total capital assets being depreciated	<u>567,377,144</u>	<u>88,033,176</u>	<u>113,537</u>	<u>655,296,783</u>
Less accumulated depreciation for:				
Buildings	74,628,296	3,443,782	0	78,072,078
Improvements	122,581,430	9,442,379	0	132,023,809
Equipment	28,642,481	1,565,108	112,862	30,094,727
Total accumulated depreciation	<u>225,852,207</u>	<u>14,451,269</u>	<u>112,862</u>	<u>240,190,614</u>
Total capital assets being depreciated, net	<u>341,524,937</u>	<u>73,581,907</u>	<u>675</u>	<u>415,106,169</u>
Business-type activities capital assets, net	<u>\$ 676,686,831</u>	<u>216,662,593</u>	<u>86,195,024</u>	<u>807,154,400</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	\$ 1,342,491
Public Safety	3,047,298
Physical Environment	79,007
Transportation	778,135
Economic Environment	16,121
Culture and Recreation	4,932,570
Capital assets held in the City's internal service funds are charged to general government	<u>7,465,848</u>
	<u>\$ 17,661,470</u>
Business-type activities:	
Water and Sewer	\$ 11,196,615
Sanitation	101,544
Parking System	1,211,610
Airport	1,557,973
Stormwater	<u>383,527</u>
	<u>\$ 14,451,269</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 \$913,322 was derived exclusively from operations. The equity interests of the City, the PACA and the DDA totaled \$1,027,908, \$1,300,378 and \$721,403, respectively at September 30, 2008. 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 \$50,000, a windstorm deductible of 5% per building based on total insured value and a \$250,000 per occurrence minimum, and a flood deductible of \$500,000 or \$50,000 per location, depending on the 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 \$150,000 deductible, public officials liability coverage with a \$100,000 deductible and a \$4 million combined coverage limit for both policies. Settlements have not exceeded coverages for each of the past four 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, 2008 of \$34,293,226 (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, 2007 and 2008 follow:

	<u>Medical</u>		<u>Other</u>	<u>Total</u>
	<u>Benefits</u>			
Balance October 1, 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	1,471,711		28,791,702	30,263,413
New Claims and Changes in Estimates	11,814,520		11,918,387	23,732,907
Claim Payments	<u>(11,694,710)</u>		<u>(8,008,384)</u>	<u>(19,703,094)</u>
Balance September 30, 2008	\$ <u>1,591,521</u>		<u>32,701,705</u>	<u>34,293,226</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. In October 2007 the City entered into a four-year lease for computer software for \$183,850. The lease carries an interest rate of 5.24% with semi-annual payments of \$25,554.

The future (minimum) lease obligations and the net present value of capital lease payments as of September 30, 2008 are as follows:

<u>Year Ending</u> <u>September 30</u>			
2009	\$	960,409	
2010		734,298	
2011		689,412	
2012		483,006	
Total Lease Payment		2,867,125	
Less: Amount of Interest		(228,458)	
Present Value of Lease Payments	\$	2,638,667	

(11) LONG-TERM DEBT:

Bonds outstanding at September 30, 2008 mature in varying amounts during succeeding fiscal years through 2036. 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 4.74% and the taxable loan averaging 4.61%. The Florida Intergovernmental Financing Commission tax-exempt loan is also a variable rate instrument averaging 5.46%. The average variable rate on tax increment revenue bonds is 3.80%.

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2008 (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
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	2,725	1,160	0	0	12,461	604	335	122
2014-2018	12,555	4,191	0	0	0	0	1,710	378
2019-2023	3,170	2,707	0	0	0	0	880	68
2024-2028	3,865	2,009	0	0	0	0	0	0
2029-2033	4,765	1,117	0	0	0	0	0	0
2034-2036	2,210	146	0	0	0	0	0	0
Total	\$ 39,305	16,810	3,520	141	17,544	3,618	6,110	1,335

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
2009	\$ 700	353	6,645	14,842	395	161	3,144	1,715
2010	725	315	6,885	14,596	415	140	3,220	1,639
2011	750	299	7,120	14,365	440	119	3,298	1,561
2012	775	271	7,365	14,121	465	97	3,377	1,482
2013	825	241	7,630	13,854	490	73	3,459	1,400
2014-2018	4,525	717	43,030	64,529	1,060	68	18,591	5,703
2019-2023	1,000	38	52,870	54,548	0	0	20,956	3,338
2024-2028	0	0	66,570	40,738	0	0	16,271	808
2029-2033	0	0	84,320	22,960	0	0	0	0
2034-2036	0	0	49,405	3,647	0	0	0	0
Total	\$ 9,300	2,234	331,840	258,200	3,265	658	72,316	17,646

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 City's community redevelopment areas. 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 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.

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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, 2008, funds available met the debt service requirements for revenue bonds.

At September 30, 2008, the City had an arbitrage rebate liability of \$46,177 on the General Obligation Bonds, Series 2005. 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, 2008, the City had no conduit debt outstanding.

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 five loans outstanding as of September 30, 2008. 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, 2008, the City's liability for this loan totaled \$8,408,671.

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, 2008, the City's liability for this loan totaled \$19,721,306.

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, 2008, the City's liability for this loan totaled \$13,305,410.

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%. On February 15, 2008, the loan principal was decreased to \$35,606,400, with no effect on the interest rate. As of September 30, 2008, the City's liability for this loan totaled \$30,880,775.

On February 11, 2008 the City entered into its fifth loan agreement for \$10,032,200, which carries an interest rate of 2.24% and provides for semi-annual principal and interest payments beginning in November 2008. As of September 30, 2008, the city had no liability under this loan.

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On March 6, 2008 the City sold \$155,000,000 of Water and Sewer Revenue Bonds, Series 2008. The proceeds are being used to finance certain improvements and upgrades to the City's water and sewer system. The issue provides for semi-annual principal and interest payments with interest rates ranging from 3% to 5% and a final maturity on September 1, 2036.

Following is a summary of the changes in the City's long-term liabilities for the fiscal year ended September 30, 2008:

	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	\$ 41,620,000	0	(2,315,000)	39,305,000	2,385,000
Excise Tax Bonds	6,900,000	0	(3,380,000)	3,520,000	3,520,000
Tax Increment Bonds	18,691,000	0	(1,147,000)	17,544,000	1,192,000
Florida Intergovernmental Loans	10,000,000	0	(700,000)	9,300,000	700,000
Sunshine State Loans	7,075,000	0	(965,000)	6,110,000	995,000
Unamortized Bond Discounts and Gains/Losses on Advance Refundings	(1,027,833)	0	168,910	(858,923)	0
Lease Purchase Agreements	3,656,870	183,850	(1,202,053)	2,638,667	858,253
Estimated Insurance Claims Payable	30,263,413	23,732,907	(19,703,094)	34,293,226	10,576,402
Compensated Absences	<u>21,012,636</u>	<u>13,642,089</u>	<u>(13,183,169)</u>	<u>21,471,556</u>	<u>4,609,581</u>
Total Governmental Activities	\$ <u>138,191,086</u>	<u>37,558,846</u>	<u>(42,426,406)</u>	<u>133,323,526</u>	<u>24,836,236</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	\$ 183,970,000	155,000,000	(3,865,000)	335,105,000	7,040,000
State Revolving Fund Loans	61,235,710	13,981,064	(2,900,612)	72,316,162	3,590,355
Unamortized Bond Premiums and Discounts	400,865	1,127,010	(39,713)	1,488,162	0
Land-fill Post Closure Costs	3,392,000	371,266	(71,836)	3,691,430	0
Compensated Absences	<u>3,511,053</u>	<u>2,510,831</u>	<u>(2,354,397)</u>	<u>3,667,487</u>	<u>838,365</u>
Total Business-Type Activities	\$ <u>252,509,628</u>	<u>172,990,171</u>	<u>(9,231,558)</u>	<u>416,268,241</u>	<u>11,468,720</u>

Internal service funds predominantly serve the governmental funds. Accordingly, their long-term liabilities totaling \$36.8 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, 2008, the site is remediated and the liability stands at \$3,691,000 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", No. 27, "Accounting for Pensions by State and Local Governmental Employers" No. 50, "Pension Disclosures an Amendment of GASB Statements No. 25 an No. 27". 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. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals.

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 City employees, except police and firefighters. Through collective bargaining with the general, supervisory and professional City employees, a new single-employer defined contribution pension plan was established for Teamster Union employees hired on or after October 1, 2007, Supervisory Union employees hired on or after November 7, 2007, and all other Non-Union employees hired on or after February 20, 2008. The General Employees Retirement System was then closed to new entrants. The City's payroll for employees covered by the plan applicable to the September 30, 2007 actuarial valuation was approximately \$69,102,400. The total City payroll at that time was approximately \$143,196,000. As of the valuation date, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	1,215
Terminated employees entitled to benefits but not yet receiving them	119
Fully, partially and non-vested active plan participants	1,437

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Under the vesting provisions of the plan, employees are entitled to 100% of normal retirement benefits after 10 years of service. Members who terminate prior to vesting are entitled to a refund of employee contributions plus interest at 3% per year. Employees are eligible to retire after 20 years of service, regardless of age or at age 55 with 10 years of service. Members who continue in employment past 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 interest. Participation in the DROP must end no later than 60 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 24.9%.

Police and Firefighters Retirement System

The Police and Firefighters Retirement System is a single-employer defined benefit plan administered by an eight-member board of trustees, which covers all police and firefighters. The City's payroll for employees covered by the plan applicable to the December 31, 2007 actuarial valuation was approximately \$51,302,000. The total City payroll at that time was approximately \$143,715,000. As of the valuation date, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	876
Terminated employees entitled to benefits but not yet receiving them	25
Fully, partially and non-vested active plan participants	757

Under the vesting provisions of the plan, employees are entitled to 100% of normal retirement benefits after 10 years of service. Members who terminate prior to vesting are entitled to a refund of employee contributions plus interest at 3% per year. Employees are eligible to retire after 20 years of service, regardless of age, or at age 55 with 10 years of service. Members who continue in employment 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 interest. Participation in the DROP must end no later than 60 months after normal retirement. These benefit provisions and all other requirements are established by City ordinance.

Employees contribute 7% of their earnings to the plan. In addition, contributions in the amount of \$5,262,367 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 49.8% and 12.3%, respectively.

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Annual Pension Cost and Funding Status

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:

	<u>General Employees</u>		<u>Police and Firefighters</u>	
	<u>Amount</u>	<u>Percent Contributed</u>	<u>Amount</u>	<u>Percent Contributed</u>
Fiscal Year Ended In:				
2006	\$ 14,749,038	100%	\$19,824,618	100%
2007	15,188,106	100	20,472,413	100
2008	15,991,230	100	21,332,840	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.

The current funding status for the General Employees and Police and Firefighters plans as of the most recent valuation dates follows:

<u>Pension Plan</u>	<u>Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
General Employees	09/30/07	\$ 327.7	430.0	102.3	76.2%	\$ 69.1	148.0%
Police & Fire	12/31/07	\$ 480.9	586.5	105.6	82.0%	\$ 51.3	205.8%

Actuarial Methods and Assumptions

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, 2006	December 31, 2006
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	17-30 Years	16-20 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 to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (see page 62). In addition, the General Employees and

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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 Defined Contribution Plan

The General Employees Defined Contribution Plan is a single-employer defined contribution plan administered by the City, which covers all City employees hired on or after October 1, 2007, except police and firefighters. The City's current year payroll for employees covered by the plan was approximately \$1,599,602. The total City payroll for the year was approximately \$149,743,500.

The City contribution requirement of 9% on earnings of participants was paid on a biweekly basis and amounted to \$176,739 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.

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 \$605,400. The total City payroll for the year was approximately \$149,743,500.

The City contribution requirement of 23.43% on earnings of participants was paid on a biweekly basis and amounted to \$142,431 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.

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 \$1,297,800. The total City payroll for the year was approximately \$149,743,500.

The City contribution requirement of 22.7% on earnings of participants was paid on a biweekly basis and amounted to \$297,460 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's Other Postemployment Benefits (OPEB) are presented in accordance with GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The provisions of this pronouncement were implemented prospectively with the actuarially determined liability of \$43,578,232 at the October 1, 2007 date of transition

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being amortized over 30 years. Accordingly, for financial statement purposes, this liability is not reported at the transition date.

Benefit Description and Funding Policy

The City provides a single employer defined benefit postemployment health insurance benefit to its general employees, sworn police officers and certified firefighters. 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. In addition, pursuant to Section 112.0801, Florida Statutes, general employees and certified firefighters who retire from the City may continue their participation in a City sponsored health and/or dental insurance plan at the same premiums applicable to active employees. Since retiree claims are expected to result in higher costs to the plans, on average, than those for active employees on an actuarial basis, there is an implicit subsidy included in the premiums for the retirees.

Benefit provisions and City contribution requirements are established and may be amended by the City Commission through collective bargaining. As of September 30, 2008, there were 579 retired employees receiving a monthly benefit with an additional 2,366 employees eligible for participation in the future. Payments totaled \$2,469,700 for the year. Retiree implicit subsidies amounted to \$291,300 of that total.

Annual OPEB Cost, Funding Status and Funding Progress

Annual OPEB Cost (AOC) is a measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. Details of the City's AOC and Net OPEB Obligation (NOO) for the year ended September 30, 2008 follow:

Annual Required Contribution		\$ 3,492,123
Actual Contributions Made		(2,469,704)
Increase in NOO		<u>1,022,419</u>
NOO Beginning of Year		<u>0</u>
NOO End of Year		<u><u>\$ 1,022,419</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation as of September 30, 2008 follow:

	<u>AOC</u>	<u>Contribution</u>	<u>Percent Contributed</u>	<u>NOO</u>
Fiscal Year Ended In:				
2008	\$ 3,492,123	2,469,704	70.7%	\$ 1,022,419

As of the October 1, 2007 valuation date, the actuarial accrued liability for benefits was \$43,578,232 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$43,578,232. The payroll for active participating employees for that period was approximately \$122,467,000 and the unfunded actuarial accrued liability as a percentage of payroll was 35.6%.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the

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funding status of benefits and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits between the City and participants. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Valuation Date	September 30, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar and Level Percent
Remaining Amortization Period	30 Years
Investment Rate of Return/ Discount Rate	4.0%
Projected Salary Increases	3.5%
Medical Trend Rate of Inflation	3.2%

One year historical trend information is presented in a supplementary schedule following these notes (see page 64).

(15) DEFERRED COMPENSATION PLAN:

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

(16) OPERATING LEASES:

On September 1, 1962, the City entered into a lease agreement with Bahia Mar Yachting Center, Inc. (Bahia Mar) for the purpose of constructing and operating a restaurant, lounge, yacht club, motel/hotel, convention hall, marine facilities and other similar businesses. The cost of the property at the inception of the lease was \$552,000. On June 30, 1994, this lease was assumed by RAHN Bahia Mar, LTD. and, as amended, will terminate on August 31, 2062, at which time, all additions to the property originally leased to Bahia Mar will revert to the City. The lease agreement provides for a minimum guaranteed annual rental of \$300,000 per year. In addition, the City receives contingent rentals (\$967,878 in 2008) based upon escalating percentages of gross receipts for the duration of the agreement.

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The City has various aviation leases and nonaviation land leases, which are accounted for as operating leases in the Airport Fund. Contingent rentals on these leases amounted to \$867,125 in the current year. Minimum future rentals on these leases as of September 30, 2008 follow:

	<u>Aviation Leases</u>	<u>Land Leases</u>	<u>Total</u>
Fiscal Year Ending in:			
2009	\$ 1,338,233	2,741,254	4,079,487
2010	1,177,017	2,741,254	3,918,271
2011	1,177,017	2,741,254	3,918,271
2012	1,177,017	2,741,254	3,918,271
2013	1,145,166	2,741,254	3,886,420
Later Years	<u>19,380,458</u>	<u>65,413,508</u>	<u>84,793,966</u>
	<u>\$ 25,394,908</u>	<u>79,119,778</u>	<u>104,514,686</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, 2008:

<u>Water and Sewer Fund</u>	
Collection and Distribution Systems	\$ 51,875,611
Wastewater Plant Improvements	830,245
Water Treatment Plants Improvements	2,066,761
Sanitary Sewers	29,829,332
Water Well Field Improvements	73,715
Other	<u>9,067,818</u>
	<u>93,743,482</u>
<u>Sanitation</u>	
Wingate Landfill Closure	370,758
Other	<u>567,350</u>
	<u>938,108</u>
<u>Parking System Fund</u>	
Downtown Parking Garages	76,001
Other	<u>456,393</u>
	<u>532,394</u>
<u>Airport Fund</u>	
Runway and Taxiway Improvements	6,170,280
Other	<u>580,107</u>
	<u>6,750,387</u>
<u>Stormwater Fund</u>	
Storm Drainage	<u>2,431,940</u>
	<u>\$ 104,396,311</u>

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

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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. The EPA was paid that amount and as of September 30, 2008, there were no outstanding commitments related to this property.

In Fiscal Year 2008, the City incurred approximately \$113,000 in expenses related to the 2008 tropical storm Fay. The City received \$1,577,409 in insurance payments related to permanent work attributed to damage by Hurricane Wilma in 2005. As of September 30, 2008, the City has a net receivable outstanding related to estimated expected reimbursements from the federal government of approximately \$22 million. The City expects that the amount it will ultimately collect will not be materially different from the receivable balance recorded as of September 30, 2008.

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

(18) SUBSEQUENT EVENT

On October 29, 2008 the City issued \$15,462,881 in Special Obligation Refunding Bonds, Series A and a \$10,051,200 Special Obligation Note, Series B. The proceeds of Series A were used to refund the City's Sunshine State Financing Commission loans totaling \$6,110,000 and the City's Florida Intergovernmental Commission loan for \$9,300,000. Series B proceeds are being used to finance certain governmental capital improvements. The Series A bonds provide for semi-annual interest payments at a rate of 5.14% and annual principal payments until maturity in 2020. The Series B note matures two years from the date of closing and provides for semi-annual interest payments at a rate of 4.69%.

On September 19, 2008, the Board of Trustees of Lehman Brothers Holdings Inc.'s "The Reserve" Government Money Market Fund decided to liquidate the fund as the result of unprecedented redemptions after the firm filed a petition for bankruptcy protection. As of September 30, 2008, the City's Portfolios had an investment of \$125,499,154 in the "The Reserve" Government Money Market Fund. The City's funds were returned in two separate payments on November 14, 2008 in the amount of \$52,165,262 and on January 16, 2009 in the amount of \$73,741,878 including \$407,986 in interest.