



Venice of America

CITY OF
FORT LAUDERDALE

March 15, 2010

Mayor John P. "Jack" Seiler
Vice Mayor Bruce G. Roberts
Commissioner Charlotte E. Rodstrom
Commissioner Bobby B. DuBose
Commissioner Romney Rogers

Dear Mayor and Commissioners:

This letter transmits the Comprehensive Annual Financial Report (CAFR) for the City of Fort Lauderdale, Florida for the fiscal year ended September 30, 2009. This submission meets the requirements of the City Charter Section 10.02, the Fort Lauderdale City Code 2-147(b)(14), Florida Statutes 166.241, and Rules of the Florida Auditor General Chapter 10.550. The financial statements included in this report conform to generally accepted accounting principles in the United States (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

The City is responsible for the accuracy of the data and the completeness and fairness of the presentation including all disclosures. Management has established *internal controls* to ensure that the City fulfills its fiduciary responsibility as custodian of public monies. The purpose of internal controls is to provide reasonable, but not absolute, assurance that City assets are safeguarded against loss through unauthorized use or disposition. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The financial statements have been audited by Ernst & Young LLP, Certified Public Accountants. The independent auditor has issued unqualified opinions that the basic financial statements included in this report fairly present the financial position of the City and complies with all reporting standards noted above.

This report is divided into three parts. The Introductory Section provides a summary of the contents of the entire report and general information about the reporting entity. The Financial Section includes the Auditor's Opinion, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Notes to Financial Statements, Required Supplementary Information, and the Combining and Individual Fund Financial Statements and Schedules. The MD&A provides a narrative introduction, overview and analysis of the basic financial statements. It complements this letter of transmittal and should be read in conjunction with it.

Other financial information, including budget and other schedules, is also provided to supplement required financial data. The Statistical Section includes schedules that provide historic, social, economic, and financial trend data that offers an overview of the City's fiscal position.



Profile of the Government

The City of Fort Lauderdale was founded in 1911. It operates under the commission/manager form of government where the Mayor, elected at large, and four Commissioners, elected by geographic district, determine the policies that guide the operation of the City. The City Commission hires a City Manager, who implements City policies and administers those policies on a full-time basis. The City Commission also appoints a City Attorney who is responsible for legal affairs, a City Clerk who is responsible for public records and a City Auditor responsible for review of business practices, procedures, internal controls, and procurement practices.

Fort Lauderdale is a full-service city that provides police protection, fire-rescue services, parks and recreation programs, delivers potable drinking water to a customer base both within and outside the City limits along with wastewater collection and treatment, sanitation services, development regulation, parking, and street maintenance. The City is known for its beaches and waterways including Fort Lauderdale beach, the New River, the Middle River, and numerous canals. The City also owns a spring training baseball facility, a general aviation airport, a downtown heliport, an aquatic complex, and an auditorium.

This financial report includes all funds and component units of the City, in accordance with the Governmental Accounting Standards Board Statement No. 14 entitled "The Financial Reporting Entity" and Statement No. 39 entitled "Determining Whether Certain Organizations Are Component Units." This reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other 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.

The Sunrise Key Safe Neighborhood Improvement District is included as a component unit along with the Fort Lauderdale Community Redevelopment Agency (CRA). These organizations have been included as component units, since the City is financially accountable for and has ultimate decision-making authority. The transactions and balances of the CRA are blended with those of the City (primary government), while the Sunrise Key financial information is discretely presented in the government-wide financial statements.

The City of Fort Lauderdale Downtown Development Authority (DDA), the Housing Authority of the City of Fort Lauderdale, the Lauderdale Isles Water Management District, and the Northwest Neighborhood Improvement District (NWNID) are related organizations, but separate and distinct. They are not included in this financial report since they do not meet the established criteria for reporting herein. Along with the Performing Arts Center Authority and the DDA, the City is a participant in a joint venture in the Arts and Science District Parking Garage with each party maintaining an ongoing financial interest.

The City of Fort Lauderdale is required to adopt an *annual budget* in accordance with the City Charter and State Statute. The City Manager is charged with preparing a proposed budget for submission in July of each year for the fiscal year that begins the following October 1. Appropriations by department within fund and tax levies are adopted in September. The budget also authorizes the number of full-time equivalent positions

available to City departments to deliver services. The budget may be amended by Resolution if altering the total budget of a particular fund, by City Commission motion if changing a department total within a fund, or administratively if the change is within the same department and fund. Various thresholds of review and approval have been established for purchases and hiring throughout the fiscal year.

The City has two defined-benefit *pension plans*: 1) the General Employees Pension Plan and 2) the Police and Fire Pension Plan. Each plan is administered by a board of trustees. The boards are composed of members elected by active employees and appointees of the Mayor. The Boards have responsibility for investment of the pension assets and determination of benefits as employees retire or seek other benefits under the plans. At September 30, 2009, the plans had total assets of \$691 million. The General Employees Pension Plan was closed to new participants beginning October 1, 2007 and replaced with a new defined contribution plan.

Economic Condition

The City of Fort Lauderdale has felt the effects of the current economic downturn with a loss of over \$800 million in taxable assessed value in FY2009. New construction, which represents improvements to real property that were not on the tax roll in the prior year, remained strong for FY2009 adding \$625 million to the tax roll. The City's taxable value has increased 2.5 times in the last ten years from \$12 billion in FY2000 to \$30.5 billion in FY2009. The following shows new construction and total taxable assessed value for the last five years.

	<u>New Construction</u>	<u>Taxable Value</u>
	(In millions of dollars)	
FY 2005	357	20,336
FY 2006	971*	23,752
FY 2007	592	28,369
FY 2008	757	31,322
FY 2009	625	30,510

* FY2006's new construction included \$106 million from 2005 annexations.

As of October 2009, the greater Fort Lauderdale metropolitan area (Broward County) had 1,003,000 civilians in the labor force compared with 1,011,000 in the prior year. Unemployment rose to 9.7% compared to 6.3% a year earlier. Comparative data within the State of Florida as reported by the U.S. Census Bureau shows the greater Fort Lauderdale metropolitan area as the second largest in the State in terms of population (1,751,000 as of July 2008). The Greater Fort Lauderdale Convention and Visitors Bureau reported 10.8 million visitors in 2008, up from 10.7 million the prior year. Average hotel occupancy for 2008 was 67.8%, down from 70.4% in 2007.

Long-term Financial Planning

The City strives to link its vision for the future, its departmental goals and objectives, and the allocation of its financial and human resources. The vision of Fort Lauderdale as a safe, secure, attractive environment in which to live, work and play, is reflected in the City's organization structure and the priorities given in the annual budget. Nearly 63% of the General Fund budget for operating expenditures is dedicated to public safety through

police, fire rescue and building services. Another 13.8% is allocated to cultural and recreational quality of life programs. Completion of \$691 million in capital improvements to the City's water, sewer and stormwater systems under the Water Works 2011 plan and economic development activities in the community redevelopment areas are also critical to maintaining this envisioned environment for our citizens.

In the course of making capital improvements to serve the residents of Fort Lauderdale, the City finances certain projects with bonds, loans and capital leases. At September 30, 2009, the City had outstanding *debt* of \$506 million for this purpose. This included \$325 million water and sewer revenue bonds and \$89 million Florida state revolving fund loans outstanding to fund the Water Works 2011 plan.

Financial Policies

The City has established a policy to maintain the undesignated *fund balance* for the General Fund between 7% and 15% of budgeted operating expenditures. During FY2009 the General Fund unreserved, undesignated balance increased from \$62 million to \$73 million. This amount is above the minimum requirement, equating to almost 27% of the final General Fund budget for operations.

The City maintains an *investment policy* that strives to protect capital above all else while seeking investment earnings and providing for daily cash needs. The City's portfolio at September 30, 2009 was \$391 million excluding investments of the permanent and fiduciary funds. The City's master and payroll accounts are swept nightly to maximize interest earnings.

The City of Fort Lauderdale has a combination of *insurance* policies and self-insured programs to address the City's risks as a municipality. The City is self-insured for automobile, general liability, police professional liability, workers' compensation and employment practices claims and certain medical benefits. Insurance policies have been purchased to cover damage to City property, including windstorm and terrorism coverage, losses due to fraud or criminal actions of City officials, major employment practices liability and workers' compensation and medical claims. Outside actuaries assist in assessing the City's liabilities and establishing claim reserves.

Major Initiatives of FY 2009

- The new \$41 million Walter E. Peele state of the art nanofiltration membrane water treatment plant, constructed under the Waterworks 2011 program, came online.
- An additional \$10 million Florida state revolving fund loan was awarded to fund sewer system improvements.

Recognition and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Lauderdale for its comprehensive annual financial report for the fiscal year ended September 30, 2008. This was the 32nd consecutive year that the City has received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This

report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the program's requirements and we are submitting it to the GFOA to determine its eligibility for another award. Additionally, the City has received the GFOA Distinguished Budget Presentation Award each fiscal year since 1985.

This report could not have been prepared without the dedicated service of all employees in the Finance Department and the support of the other City departments. Sincere appreciation is expressed to all for their efforts.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Lynda C. Flynn".

Lynda C. Flynn
Interim Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fort Lauderdale
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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



President

Executive Director

