

**CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM**

**FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

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Crowe Chizek and Company LLC  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
City of Lakeland, Florida  
Employees' Pension and Retirement System

We have audited the accompanying statement of plan net assets of the Employees' Pension and Retirement System of the City of Lakeland, Florida, as of September 30, 2007, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Employees' Pension and Retirement System's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note A, the financial statements present only the Employees' Pension and Retirement System of the City of Lakeland, Florida, and are not intended to present the financial position of the City of Lakeland, Florida, and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Employees' Pension and Retirement System of the City of Lakeland, Florida's net assets held in trust for pension benefits, as of September 30, 2007, and the changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Plan has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements.

The Schedules of Contributions and Funding Progress on page 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Crowe Chizek and Company LLC*  
Crowe Chizek and Company LLC

February 21, 2008  
Lakeland, Florida

CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

STATEMENT OF PLAN NET ASSETS  
SEPTEMBER 30, 2007

ASSETS

Cash and cash equivalents	\$ 7,356,646
Investments	537,991,320
Accrued interest receivable	954,815
Receivables	<u>7,395,178</u>
Total assets	<u>553,697,959</u>

LIABILITIES

Accounts payable	6,489,906
Accrued liabilities	7,617,225
Due to other funds	<u>1,841,765</u>
Total liabilities	<u>15,948,896</u>

NET ASSETS

Held in trust for pension benefits and other purposes	\$ <u>537,749,063</u>
(A Schedule of Funding Progress for the plan is presented on page13)	

See accompanying notes to financial statements.

CITY OF LAKE LAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2007

ADDITIONS	
Contributions:	
Employer	\$ 14,151,537
Employee	7,861,965
Total contributions	<u>22,013,502</u>
Net investment income:	
Interest and dividends	9,626,084
Net increase (decrease) in the fair value of investments	55,212,276
Investment advisor fee	(2,262,515)
Net investment income (loss)	<u>62,575,845</u>
Miscellaneous income	<u>949,217</u>
Total additions (deductions)	<u>85,538,564</u>
DEDUCTIONS	
Benefits paid	24,160,514
Refunds, former employees	1,712,231
Actuarial fee	48,097
Audit fee	3,000
Other	43,042
Interest on DROP Disbursements	159,719
Transfers to other funds	58,988
Total deductions	<u>26,185,591</u>
CHANGE IN NET ASSETS HELD IN TRUST	59,352,973
NET ASSETS, beginning of year	<u>478,396,090</u>
NET ASSETS, end of year	<u>\$ 537,749,063</u>

See accompanying notes to financial statements.

CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – These financial statements represent only the Employees' Pension and Retirement System (Plan) of the City of Lakeland, Florida (City). The statements presented herein do not constitute the basic financial statements of the City which are issued separately under the title "Comprehensive Annual Financial Report" (CAFR).

This Plan is a pension trust fund (fiduciary fund type) of the City. This fund is the single-employer, defined benefit pension plan for all employees of the City.

The Plan has elected not to present management's discussion and analysis as required by GASB Statement No.34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

Basis of Accounting – The Plan is maintained using the accrual basis of accounting. Expenses are recognized when they are incurred and revenues are recognized when they are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuations of Investments – Plan investments are reported at fair value. State Board of Administration (SBA) and money market funds are reported at cost, which approximates fair value. Fixed income and equity securities are valued at the last reported sales price.

**NOTE B - DESCRIPTION OF PLAN**

General - The authority for the establishment and amendment of the Plan, benefits, vesting, and contributions are established by City Ordinances. The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

Plan Membership - The Plan is a single-employer, defined benefit pension plan that covers all full-time, regular employees of the City. Government plans are not subject to the provisions of the Employees' Retirement Income Security Act of 1974 (ERISA). The number of employees currently covered by the Plan is shown in the following table.

Active plan participants	1,940
Retirees and beneficiaries	928
Terminated vested participants	<u>60</u>
Total number of participants	<u><u>2,928</u></u>

Administrative Costs - Administrative costs are paid by the Plan from contributions and investment income.

**Plan Benefits**

Pension Benefits - A member employee may retire after attaining age 50 and contributing for 10 or more years to this plan. The monthly benefit is determined by multiplying the average monthly salary by a service factor and a benefit factor. Plan members who enter the plan on or after October 1, 2003 may retire after attaining age 62 and contributing to the plan for 10 or more years.

- The average monthly salary is computed using the average of the highest total earnings over a consecutive period of 36 months. For members who enter the plan on or after October 1, 2003, the average monthly salary is calculated using the average of the highest total earnings over a consecutive period of 60 months.
- The service factor is based on the length of continuous service and is calculated by accumulating 3% per year for the first 25 years of service plus 1% per year for all service exceeding 25 years. The service factor for plan participants who enter the plan on or after October 1, 2003 is computed using 2% per year for the first 10 years of service, then 3% for the next 20 years plus 1% for each year over 30 years of service.
- The benefit factor is based on the age of the employee in years and months on the day retirement benefits commence. This value is derived from a benefit factor table as set forth in Section 23 of Article II, Division II, of the City Charter.

Cost of Living Increase - The Plan allows an increase in the benefit paid to all retirees if it is determined such funds are sufficient. The Board can instruct a plan actuary to conduct an actuarial impact study to determine the amount of the increase that can be funded. The Board can recommend a benefit increase to the City Commission and the Commission shall have the option to approve or disapprove the benefit increase. As defined in the Plan, any increase is subject to limitation by an actuarially calculated "assumed investment return" valuation. The maximum increase is 4% per year.

**NOTE B - DESCRIPTION OF PLAN (Continued)**

CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

Termination Benefits - If a member employee is terminated, either voluntarily or involuntarily, the following benefits are payable:

- If the employee has less than ten years of credited service, the employee will be entitled to his or her contributions to the Plan.
- If the employee has ten or more years of credited service (terminated vested), the benefits will be calculated as described in the *Pension Benefits* section above, provided that the benefit calculation is based upon the benefits which existed at the time of termination of employment. If the participant elects to leave his or her contributions in the fund upon separation from service and is entitled to a vested deferred pension, the monthly pension income will be adjusted to reflect any increase in benefits becoming effective after the date of separation from service.

Terminated membership in the plan - Effective September 7, 2004, a member can terminate membership in the Plan if he or she is not subject to collective bargaining, has attained normal retirement status or has attained thirty years of credited service. Sworn Police Officer and certified Firefighter members with twenty-five years of service or who has attained age fifty-two with ten years of credited service can elect to receive a lump sum payment, defer the receipt of the defined benefits and contribute to a defined contribution plan or the Deferred Retirement Option Program (DROP).

- The Lump Sum Payment benefit is calculated using the actuarial assumed rate of return plus one percent. The one-time lump-sum payment is based upon the present value of the retirement benefit.
- A member may elect to terminate membership in the plan with a vested benefit while still employed. This election allows the members to defer receipt of defined benefits until a later date and commence participation in the City's Deferred Compensation Plan. The member is guaranteed a life time defined benefit for the years of service vested and has the ability to manage his or her investments in the defined contribution plan.
- DROP allows members to continue working while their monthly pension benefit is deposited into a DROP account earning an annual rate of 6.5 percent. Once a member enters the DROP the decision is irrevocable. The members benefit shall be calculated as if the member had actually separated from service. The member remains an active employee of the City and agrees to terminate active service no later than sixty months following the date of entry into the DROP. Nothing prohibits a member to terminate service prior to the sixty months. If a member chooses to continue employment past the sixty months, beginning on the 61<sup>st</sup> month the DROP account will no longer be credited with the monthly pension benefits or interest.
- The termination of the DROP can be lump-sum payment, direct rollover into eligible retirement plan or partial lump-sum payment which is a combination of the lump-sum payment and direct rollover.

Death Benefits - If an employee were to die prior to normal retirement, his beneficiary would receive benefits payable as provided in the Plan including various payment options elected by the employee prior to death.

- If the employee has less than 10 years of service, the contribution is refunded.
- If the employee has more than 10 years of credited service, the benefit received is actuarially equivalent to 50% of the benefit the employee would have received on the date of death. The percentage of the benefit payment increases to 75% if the employee is age 50.

Disability Benefits - There are no disability benefits available.

**Funding Requirements**

Member Contributions - Employees are required to contribute 8% of their basic annual compensation.

Employer Contributions - The City's contribution to the Plan equals 14.4% of employees' salaries. The amount of the covered payroll for the Plan for the year ending September 30, 2007 was \$96,969,226 (adjusted basis).

**Termination of Plan**

Should the Plan terminate at some future time, its net assets generally will not be available on a pro-rata basis to provide participants' benefits. Some benefits may be fully or partially provided, while other benefits may not be provided at all. This provision depends upon the priority of the benefits and the availability of plan assets existing at the time of such termination.

**NOTE C - CONTRIBUTIONS**

As described above, the funding policy for the Plan is a contribution rate of 14.4% from the City and a contribution rate of 8% from the employee. The actuarially determined contribution rate for the report dated October 1, 2006 is 8.0% for General and Fire employees, and 9% for Police employees. The actuary required rate is 14.89% of actuarially determined covered payroll.



CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

**NOTE D - INVESTMENTS AND CASH EQUIVALENTS**

Authorized Investments - Several forms of legal provisions govern the types of investments in which the Plan monies may be invested. Plan monies may be invested in any of the following:

- Direct obligations of the Federal Government
- Interest-bearing time deposits
- Florida State Board of Administration (see Note F)
- Corporate stocks and bonds
- Money market and mutual funds
- Obligations guaranteed by the Federal National Mortgage Association
- Obligations of the Federal Home Loan Mortgage Corporation
- Obligations of the Federal Home Loan Bank
- Obligations of the Federal Farm Credit Bank
- Obligations guaranteed by the Government National Mortgage Association

Investment Violations - There were no significant violations of legal or contractual provisions for deposits and investments during the year.

Custodial Credit Risk - Custodial credit risk, for an investment, is the risk that, in the event of the failure of the counterparty, the City of Lakeland will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2007, the City of Lakeland Employee Pension Fund held \$7,356,266 and \$150,824,816 in Money Market Funds and Mutual Funds respectively. These investments are held by an investment's counterparty, not in the name of the City.

Foreign Currency Risk The Employee Pension Fund held \$15,148,322 in fixed income (7.02%) and equity investments of foreign issuers or non-US companies (1.65%), of which, \$5,423,475 denominated in foreign currencies. The Employee Pension Fund also held \$4,150,850 in fixed income investments in US issuers or companies denominated in foreign currencies. According to the investment policy, Fixed Income Managers of the Employee Pension Fund are authorized to invest up to 10% of their respective portfolio's fair value in issuers not domiciled in the U.S. and, except for specifically hired International Fund Managers, Equity Managers are authorized to invest up to 5% in equity investments of non-U.S. companies listed on a major U.S. exchange.

CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

**NOTE D - INVESTMENTS AND CASH EQUIVALENTS (Continued)**

As of September 30, 2007, the Employee Pension Fund held the following fixed income and equity investments in non-U.S. companies and/or investments denominated in a foreign currency:

<u>Obligations of Foreign Governments:</u>	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
Austria Republic Intl	\$ 45,210	JPY	2/3/2009
Norwegian Government	733,652	NOK	5/15/2009
Norwegian Government	957,966	NOK	5/16/2011
Mexican Fixed Rate Bonds M	1,249,250	MXN	12/17/2015
<b>Total Foreign Government Obligations</b>	<b>\$ 2,986,078</b>		
<u>Corporate Bonds:</u>	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
<b>US Companies:</b>			
Toyota Motor Credit	\$ 52,200	JPY	6/9/2008
General Elec Cap Corp GMTN	1,630,882	JPY	3/8/2012
General Elec Cap Corp GMTN	1,932,749	JPY	5/18/2012
KFW Series INTL	535,020	JPY	9/20/2010
<b>Non-US Companies:</b>			
America Movil SA de CV 144A	973,891	MXN	12/15/2036
Bell Canada Series M-17	209,185	CAD	3/16/2035
Bell Canada Series MTN	99,159	CAD	2/15/2017
Bell Canada Series MTN	33,731	CAD	5/1/2029
Bell Canada Series MTN	82,413	CAD	2/23/2032
Enel Finance Intl Series 144A	1,445,332	USD	9/15/2017
ICICI Bank Limited Ser 144A	289,881	USD	4/30/2022
Oekb Oest Kontrollbank	26,650	JPY	3/22/2010
Rabobank Nederland	644,160	TRY	1/28/2008
Standard Chartered Bank 144A	235,356	USD	9/26/2017
Talisman Energy	31,207	USD	2/1/2037
Talisman Energy	70,655	USD	2/1/2038
Telecom Italia Capital	46,491	USD	9/30/2034
Telecom Italia Capital	125,461	USD	11/15/2033
Telecom Italia Capital	418,008	USD	7/18/2036
Telefonica Emisiones SAU	479,331	USD	6/20/2008
Telus Corp	368,208	CAD	3/15/2017
Vodafone Group PLC	729,288	USD	6/20/2037
<b>Total Corporate Bonds</b>	<b>\$ 10,459,257</b>		
<u>Corporate Stocks:</u>	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
<b>Non-US Companies:</b>			
Barrick Gold Corp	\$ 2,107,450	USD	N/A
Canadian Natl Railway Co	318,060	USD	N/A
Silicon Motion Technology	673,837	USD	N/A
Taiwan Semiconductor Spons	758,342	USD	N/A
Teva Pharmaceutical	1,980,605	USD	N/A
Tim Hortons Inc	15,543	USD	N/A
<b>Total Corporate Stocks</b>	<b>\$ 5,853,837</b>		

CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

**NOTE D - INVESTMENTS AND CASH EQUIVALENTS (Continued)**

Credit Risk - Credit risk is the risk of loss due to the failure of the security issuer or other counterparty. The purpose of the City of Lakeland's investment policy is to minimize credit risk by limiting investments in securities that have higher credit risks, pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The City of Lakeland's investment policy requires the following Standard & Poor's or Moody's credit quality ratings for fixed income securities of the Employee Pension Fund:

Investment Class	S &P Rating	Moody's Rating	Maximum %
<b>Employee Pension Fund</b>			
Fixed Income	BBB	Baa	20%
Fixed Income	Less than BBB	Less than Baa	10%
Fixed Income - Single Issuer	BBB or lower	Baa or lower	2%
Commercial Paper	A-1	P-1	
Money Market Funds	A-1	P-1	

As of September 30, 2007, the City of Lakeland's Employee Pension Fund's debt security investments had the following credit quality ratings:

**S&P Rating:**

	Cost	% of Total	Market	% of Total
AAA	\$ 21,497,956	24.64%	\$ 21,455,771	24.66%
AA+ to AA-	3,503,693	4.02%	3,484,634	4.01%
A+ to A-	6,506,075	7.46%	6,439,835	7.40%
BBB+ to BBB-	13,801,734	15.82%	13,643,325	15.68%
BB+ to BB-	2,946,244	3.38%	2,923,115	3.36%
Below BB-	2,804,678	3.21%	2,658,257	3.06%
NR	36,203,554	41.47%	36,397,916	41.83%
	<u>\$ 87,263,934</u>	<u>100.00%</u>	<u>\$ 87,002,853</u>	<u>100.00%</u>

**Moody's Rating:**

	Cost	% of Total	Market	% of Total
Aaa	\$ 22,845,330	26.18%	\$ 22,773,540	26.18%
Aa1 to Aa3	4,483,434	5.14%	4,469,347	5.14%
A1 to A3	8,867,074	10.16%	8,840,859	10.16%
Baa1 to Baa3	13,447,657	15.41%	13,406,828	15.41%
Ba1 to Ba3	4,063,891	4.66%	3,934,062	4.52%
Below Ba3	2,804,678	3.21%	2,658,257	3.06%
NR	30,751,870	35.24%	30,919,960	35.53%
	<u>\$ 87,263,934</u>	<u>100.00%</u>	<u>\$ 87,002,853</u>	<u>100.00%</u>

CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

**NOTE D - INVESTMENTS AND CASH EQUIVALENTS (Continued)**

As of September 30, 2007, The City of Lakeland's Employee Pension Fund's investment types had the following credit quality ratings:

S&P Rating:	US Government							
	Corporate Bonds		Agency Obligations		Foreign Securities		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total	Market	% of Total
AAA	\$ 14,099,504	30.42%	\$ -	0.00%	\$ -	0.00%	\$ 7,356,266	100.00%
AA+ to AA-	3,484,634	7.52%	-	0.00%	-	0.00%	-	0.00%
A+ to A-	4,029,859	8.69%	-	0.00%	2,409,977	17.92%	-	0.00%
BBB+ to BBB-	12,472,172	26.91%	-	0.00%	1,171,153	8.71%	-	0.00%
BB+ to BB-	2,633,234	5.68%	-	0.00%	289,881	2.16%	-	0.00%
Below BB-	2,658,257	5.74%	-	0.00%	-	0.00%	-	0.00%
NR	6,973,450	15.04%	19,850,141	100.00%	9,574,325	71.21%	-	0.00%
	<u>\$ 46,351,110</u>	<u>100.00%</u>	<u>\$ 19,850,141</u>	<u>100.00%</u>	<u>\$ 13,445,336</u>	<u>100.00%</u>	<u>\$ 7,356,266</u>	<u>100.00%</u>

Moody's Rating:	US Government							
	Corporate Bonds		Agency Obligations		Foreign Securities		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ 15,417,274	33.25%	\$ -	0.00%	\$ -	0.00%	\$ 7,356,266	100.00%
Aa1 to Aa3	4,469,347	9.64%	-	0.00%	-	0.00%	-	0.00%
A1 to A3	7,160,171	15.45%	-	0.00%	1,680,688	12.50%	-	0.00%
Baa1 to Baa3	11,216,505	24.20%	-	0.00%	-	0.00%	-	0.00%
Ba1 to Ba3	3,934,062	8.49%	-	0.00%	2,190,323	16.29%	-	0.00%
Below Ba3	2,658,257	5.74%	-	0.00%	-	0.00%	-	0.00%
NR	1,495,494	3.23%	19,850,141	100.00%	9,574,325	71.21%	-	0.00%
	<u>\$ 46,351,110</u>	<u>100.00%</u>	<u>\$ 19,850,141</u>	<u>100.00%</u>	<u>\$ 13,445,336</u>	<u>100.00%</u>	<u>\$ 7,356,266</u>	<u>100.00%</u>

CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

**NOTE D - INVESTMENTS AND CASH EQUIVALENTS (Continued)**

In the City of Lakeland's Employee Pension Fund, assets shall be diversified among equities, fixed income, and real estate to minimize overall portfolio risk consistent with the level of expected return and thereby improve the long-term return potential of assets. The diversification of the equity and fixed income securities held in the portfolio among sectors and issuers is the responsibility of the respective Investment Manager, subject to general policy and specific guidelines of each manager. The Investment Manager is expected to diversify the portfolio sufficiently to minimize the risk of a large loss from a single security. Accordingly, no single company's fixed securities shall represent more than 5% of the market value assets of the fund and no more than 10% of the market value of assets shall be in common stock of one company. Equity portfolios and all equity investments must be traded on national stock exchange or NASDAQ. As of September 30, 2007, no single company's fixed securities and common stock represented more than 5% and 10% respectively of the market value assets of the fund. The City of Lakeland's investment allocation limits and actual limits for the Employee Pension Fund as of September 30, 2007 are as follows:

Asset Class (Market)	Maximum%	Minimum%	Actual %
Domestic Equity:			
Large Cap Equity	50%	40%	42%
Small Cap Equity	15%	5%	11%
International Equity	15%	5%	12%
Total Equity	70%	60%	65%
Total Fixed Income (Incl. Cash)	40%	30%	35%

The following investments and maturities held by the Employee Pension fund of the City as of September 30, 2007 are collateralized by registered securities held by the City or its agents in the City's name:

Investment Type	Fair Value	Investment Maturities (in years)			
	Employee Pension	Less than 1	1-5	6-10	More than 10
US Treasury Notes (1)	\$ 11,633,577	\$ -	\$ 10,713,327	\$ 920,250	\$ -
U.S. Treasury Bonds	246,563	-	-	-	246,563
Fed Home Loan Mortgage Corp.	8,646,942	-	-	-	8,646,942
Federal National Mortgage Assoc (1)	11,203,199	-	-	-	11,203,199
Corporate Notes and Bonds (1)	46,351,110	183,236	6,241,552	12,661,820	27,264,502
Corporate Stocks (1)	289,785,941	289,785,941	-	-	-
Foreign Stocks	5,853,837	5,853,837	-	-	-
Foreign Securities	13,445,335	1,175,691	5,862,128	3,397,305	3,010,211
Subtotal	<u>387,166,504</u>	<u>296,998,705</u>	<u>22,817,007</u>	<u>16,979,375</u>	<u>50,371,417</u>

Other investments of the fund are collateralized by securities that exist in physical or book entry form and thus cannot be held in the City's name. The breakdown of investments, held as of September 30, 2007, by type and category of credit risk are as follows:

Investment Type	Reported Amount	Investment Maturities (in years)			
	Fair Value	Less than 1	1-5	6-10	More than 10
State Board Administration	380	380	-	-	-
Money Market (2)	7,356,266	7,356,266	-	-	-
Mutual Funds (2)	150,824,816	150,824,816	-	-	-
Total	<u>\$ 545,347,966</u>	<u>\$ 455,180,167</u>	<u>\$ 22,817,007</u>	<u>\$ 16,979,375</u>	<u>\$ 50,371,417</u>

(1) Corporate Stocks balance includes \$295,016 in net transactions in the Pension Funds that had been executed but not settled as of September 30, 2007. Corporate Bonds balance includes \$390,498 in net transactions in the Pension Funds that had been executed but not settled as of September 30, 2007.

(2) The rate of interest earned fluctuates during the year based on market conditions. Also, there is no stated maturity date for these types of investments. Funds may be invested, withdrawn, or reinvested at the discretion of the Plan.

CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

**NOTE D - INVESTMENTS AND CASH EQUIVALENTS (Continued)**

Cash Equivalents - Cash equivalents in the accompanying Statement of Plan Net Assets is composed of the following:

State Board of Administration	\$	380
Money market funds		<u>7,356,266</u>
Total cash equivalents	\$	<u><u>7,356,646</u></u>

**NOTE E - TRANSFERS**

For the year ended September 30, 2007, the Plan reimbursed \$58,988 to the City of Lakeland General Fund for payroll costs associated with employees involved with the internal administration of the Plan. There is also an interfund receivable/payable from the General Fund to the Plan in the amount of \$1,841,765 which represents the cash the General Fund is deemed to have loaned the Plan to cover the cash deficit in the fund.

**NOTE F - SUBSEQUENT EVENTS**

**State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool**

As discussed in Note 3 of the City of Lakeland's Comprehensive Annual Financial Report, at September 30, 2007, the City of Lakeland had \$60,544,572 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF LAKELAND, FLORIDA  
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CONTRIBUTIONS** – The contributions from the City are shown in the following schedule:

	Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)
% of the ARC	2007	\$ 14,151,537 96%	\$ 14,735,539
% of the ARC	2006	13,359,576 96%	13,913,026
% of the ARC	2005	13,283,684 110%	12,047,146
% of the ARC	2004	13,474,963 113%	11,942,056
% of the ARC	2003	11,492,503 73%	15,845,033
% of the ARC	2002	11,047,917 103%	10,732,707

During fiscal year 2006, a correction regarding the calculation of the net pension obligation (NPO) was made. In prior fiscal years, the employee's annual required contributions and actual contributions (approximately \$2.4 million since 1988) were included in the calculation of the NPO. Under the correct policy, only the City's annual required contribution and actual contributions are used in computing the NPO.

**SCHEDULE OF FUNDING PROGRESS**

Employee's Pension  
& Retirement System

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL % of Covered Payroll
10/1/2006	\$478,396,090	\$540,833,785	\$62,437,695	88%	\$95,616,093	65%
10/1/2005	433,459,145	483,329,674	49,870,529	90%	95,815,348	52%
10/1/2004	410,451,251	439,216,904	28,765,653	93%	95,390,235	30%
10/1/2003	389,641,017	404,103,398	14,462,381	96%	91,854,151	16%
10/1/2002	374,790,773	390,193,196	15,402,423	96%	89,217,248	17%

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**General** – Effective October 1, 2006 the Employee's Pension and Retirement System changed the actuarial method from the aggregate actuarial cost method to the entry age normal method. Under this method, the actuarial present value of projected benefits is spread over the earnings and service of each individual participant in the plan between each participants plan entry date and the plan exit date. The effect of the changes in actuarial assumptions resulted in an increase in the Unfunded Actuarial Accrued Liability (UAAL) of \$17,560,651. The information disclosed in the Schedule of Funding Progress is based on the newly adopted actuarial cost methods.

Actuarial Assumptions Utilized:

Interest Rate	7.25%
Projected Salary Increase	Service Based
Inflation Rate	3.0%
Post Retirement Benefit Increases	0.0%