

CITY OF LAKELAND, FLORIDA
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Plan Net Assets	3
Statement of Changes in Plan Net Assets	4
Notes to Financial Statements	5 - 7
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Contributions	8
Notes to Required Supplementary Information	8

CITY OF LAKELAND, FLORIDA
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN

STATEMENT OF PLAN NET ASSETS
SEPTEMBER 30, 2004

ASSETS	
Cash and cash equivalents	\$ 114,890
Investments	12,542,115
Other receivables	6,173
Due from other governments	<u>89,446</u>
Total assets	12,752,624
LIABILITIES	
Accounts payable	<u>1,892</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 12,750,732</u></u>

See accompanying notes to financial statements.

CITY OF LAKELAND, FLORIDA
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN

STATEMENT OF CHANGES IN PLAN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2004

ADDITIONS	
Contributions:	
State of Florida	\$ 465,799
Employees	<u>190,976</u>
Total contributions	656,775
Net investment income:	
Investment gains	1,579,402
Less investment advisor's fees	<u>(85,429)</u>
Net investment income	1,493,973
Miscellaneous income	<u>32</u>
Total additions	2,150,780
DEDUCTIONS	
Pension benefits paid	735,148
Refunds of contributions to former employees	11,778
Actuary fees	2,200
Audit fee	1,200
Other expenses	<u>2,286</u>
Total deductions	<u>752,612</u>
NET INCREASE	1,398,168
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>11,352,564</u>
End of year	<u>\$ 12,750,732</u>

See accompanying notes to financial statements.

CITY OF LAKELAND, FLORIDA
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General - These financial statements represent only the Firefighters' Supplemental Pension Plan (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).

The Plan is a pension trust fund (fiduciary fund type) of the City. This fund is the single employer defined benefit pension plan for full-time, uniformed City firefighters.

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. The plan participant contributions are recognized when they are due. The contribution from the State of Florida is recognized in the period due, and the State has sent a formal letter to commitment to the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments - Plan investments are reported at fair value. 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 substantially all regular, full-time uniformed firefighters 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 covered by the Plan is shown in the following table.

Active plan participants	128
Retirees and beneficiaries	71
Terminated vested participants	<u>0</u>
Total number of participants	<u>199</u>

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

Plan Benefits

Pension Benefits – A member firefighter may retire after attaining age 50 and completing 10 years of credited service. The monthly benefit for 15 or more years of credited service is determined by multiplying 1/12 of \$565 by credited service multiplied by a benefit factor. For those members with more than 10 years but less than 15 years of credited service the monthly benefit is determined by multiplying 1/12 of \$535 by credited service multiplied by a benefit factor. The benefit factor is based on the age of the employee and the years of credited service at the time of retirement.

Cost of Living Increase-The plan has been amended various times to allow for a cost of living adjustment increase of retirement benefits for participants currently receiving benefits.

Disability Benefits - A firefighter that becomes totally and permanently unable to perform useful and efficient service as a firefighter may apply to the Board for a disability benefit. If granted and the disability is service connected, the monthly benefit will equal 1/12 of \$535 multiplied by the number of years of credited service. If the disability is not service connected, the monthly benefit will equal 1/12 of \$267.50 multiplied by the number of years of credited service. Non-service connected disability benefits are only available to firefighters with at least 10 years of credited service.

Termination Benefits – If a firefighter is terminated, either voluntarily or involuntarily, with less than 10 years of credited service, then that Plan member is entitled to a refund of the contributions made by the employee to the Plan. In lieu of refund, the funds may be optionally left on deposit in the Plan for 5 years, pending the possibility of being reemployed and without losing credit for the time the member was in the plan as a firefighter. Upon the plan member reemployment the firefighter must remain employed for a period of 3 years, or the accumulated contribution will be returned without interest. If the firefighter has 10 or more years of credited service and the contributions are left in the plan, then the firefighter will be entitled to the vested portion of the accrued monthly benefit commencing on the normal retirement date. Plan members are 50% vested after completing 10 years of credited service. This percentage increases annually by 10% per year until reaching 15 years of service, at which time Plan members are considered fully vested.

CITY OF LAKELAND, FLORIDA
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE B - DESCRIPTION OF PLAN (CONTINUED)

Death Benefits – If a vested firefighter were to die prior to normal retirement, the surviving spouse would receive 50% of the firefighter's accrued benefit payable for life.

Funding Requirements:

Member Contributions - Firefighters are required by City ordinance to contribute 3% of their basic annual compensation to the Plan.

State Contributions - The City deposits the income received from the 1.85% excise tax on property insurance premiums into the Plan, in accordance with the Florida Statutes, Section 175.08.

Covered Payroll - Covered payroll for the Plan for the year ending September 30, 2004 was \$6,364,193 (adjusted base).

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. While some benefits may be fully or partially provided, others 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

The Plan is funded from an annual distribution from a trust fund established by the State of Florida for the express purpose of providing retirement benefits to firefighters, plus a 3% payroll contribution from employees. The amount of the deposit from the state trust fund for the year ended September 30, 2004 equaled 7.1% of covered payroll. The actuarially determined contribution rate for 2004 for both the State of Florida trust fund contribution and the employee contribution was 9.6%. The date of the latest actuarial valuation of the Plan was September 30, 2004.

NOTE D – CASH, CASH EQUIVALENTS AND INVESTMENTS

Authorized Investments – Several forms of legal provisions govern the types of investments in which 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
- The Florida State Board of Administration
- Corporate stocks and bonds
- Money market and mutual funds
- Obligations guaranteed by the Government National Mortgage Association
- 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

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

Credit Risk Categories - The investments held as of September 30, 2004 are classified according to type of credit risk. These credit risk categories are defined as follows:

Category A - Insured or registered securities held by the Plan or its agents in the Plan's name.

Category B - Uninsured and unregistered securities held by the counterparty's trust department or agent in the Plan's name.

Category C - Uninsured and unregistered securities held by the counterparty or by its trust department or agent but not in the Plan's name.

These broad categories do not apply to all types of investments owned by the Plan. The investments with the State Board of Administration, money market funds, and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

CITY OF LAKELAND, FLORIDA
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE D – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Schedule of Investments and Cash Equivalents – Cash Equivalents and Investments held as of September 30, 2004 are shown in the following table:

	Interest Rate	Maturing Through	Original Cost	Fair Value
Uncategorized:				
Money Market Funds	(1)	(1)	\$ 44,496	\$ 44,496
State Board of Administration	(1)	(1)	65,067	65,067
Mutual Funds	(1)	(1)	11,873,748	12,542,115
 Total investments and cash equivalents			\$ 11,983,311	\$ 12,651,678

(1) The rate of interest earned fluctuates based on market conditions. There is no stated maturity date for this type of investment. These funds may be invested, withdrawn, or reinvested at the discretion of the Plan.

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

Cash	\$ 5,327
State Board of Administration	65,067
Money market funds	44,496
 Total cash & cash equivalents	\$ 114,890

Cash balances are collateralized with securities held by the pledging financial institutions but not in the name of the Plan. This collateral consists of insurance provided by the FDIC and securities held by the State of Florida Public Deposit Security Trust Fund.

Investments - "Investments" in the accompanying "Statement of Plan Net Assets" is composed of the following:

Mutual Funds	\$ 12,542,115
--------------	---------------

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKELAND, FLORIDA
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – The State Contributions are shown in the following schedule:

	<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>State Contributions</u>	<u>Annual Required Contribution (ARC)</u>
% of the ARC	2004	-0- -n/a-	\$ 465,799 77%	\$ 603,862
% of the ARC	2003	-0- -n/a-	441,504 82%	540,413
% of the ARC	2002	-0- -n/a-	426,755 103%	413,918
% of the ARC	2001	-0- -n/a-	368,947 99%	374,076
% of the ARC	2000	-0- -n/a-	384,664 112%	344,249
% of the ARC	1999	-0- -n/a-	358,244 91%	392,794

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General - The actuarial cost method utilized is the aggregate actuarial cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities. The actuarial value of assets was determined by applying an actuarial adjustment factor to the market value of assets. The actuarial adjustment factor was determined as the amount which current market prices were inflated in relation to a longer-range trend. The actuarial report was done as of September 30, 2004.

Actuarial Assumptions Utilized:

Interest Rate	7.5 %
Combined Inflation and Projected Salary Increase Rate	6.0 %
Post Retirement Benefit Increases	0.0 %