

**CITY OF LAKELAND, FLORIDA
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN**

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
Firefighters' Supplemental Pension Plan

We have audited the accompanying statement of plan net assets of the Firefighters' Supplemental Pension Plan 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 Firefighters' Supplemental Pension Plan'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 Firefighters' Supplemental Pension Plan 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, the information regarding the Firefighters' Supplemental Pension Plan 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 Schedule of Contributions on page 9 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
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN

STATEMENT OF PLAN NET ASSETS
SEPTEMBER 30, 2007

ASSETS

Cash and cash equivalents	\$ 617,481
Investments	17,248,638
Receivables	9,271
Due from other governments	<u>215,675</u>
Total assets	<u>18,091,065</u>

LIABILITIES

Accounts payable	<u>865</u>
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NET ASSETS

Held in trust for pension benefits and other purposes	<u>\$ 18,090,200</u>
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See accompanying notes to financial statements.

CITY OF LAKE LAND, FLORIDA
FIRE FIGHTERS' SUPPLEMENTAL PENSION PLAN

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

ADDITIONS

Contributions:

On-behalf payments - State of Florida	\$ 790,992
Employee	243,484
Total contributions	<u>1,034,476</u>

Net investment income:

Interest and dividends	575,305
Net increase (decrease) in the fair value of investments	1,724,417
Investment advisor fee	<u>(93,793)</u>
Net investment income (loss)	<u>2,205,929</u>

Miscellaneous income

Miscellaneous income	<u>1,927</u>
Total additions (deductions)	<u>3,242,332</u>

DEDUCTIONS

Benefits paid	764,002
Refunds, former employees	41,165
Audit fee	1,500
Other	<u>16,121</u>
Total deductions	<u>822,788</u>

CHANGE IN NET ASSETS HELD IN TRUST

CHANGE IN NET ASSETS HELD IN TRUST	2,419,544
NET ASSETS, beginning of year	<u>15,670,656</u>
NET ASSETS, end of year	<u>\$ 18,090,200</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. Expenses are recognized when they are incurred and revenues are recognized when they are earned. The plan participant contributions are recognized when they are due, which is bi-weekly. The contribution from the State of Florida is recognized when due according to the terms of the State's formal letter of 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	139
Retirees and beneficiaries	73
Terminated vested participants	<u>1</u>
Total number of participants	<u><u>213</u></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, the 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, 2007 was \$8,116,118 (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, 2007 equaled 9.7% of covered payroll. The actuarially determined contribution rate for 2007 for both the State of Florida trust fund contribution and the employee contribution was 6.2%. The date of the latest actuarial valuation of the Plan was October 1, 2006.

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
- Florida State Board of Administration (see Note E)
- 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.

Custodial Credit Risk. Custodial credit risk, for an investment, is the risk that, in the event of the failure of the counterparty, the Plan 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 Firefighters' Supplemental Pension Plan held \$593,441 and \$17,248,638 in Money Market Funds and Mutual Funds respectively. These investments are held by an investment's counterparty, not in the name of the City. The City of Lakeland's Firefighters' Pension Plan's investment policy does not limit the investment in Money Market Funds and Mutual Funds, including Commingled Trust Funds.

Foreign Currency Risk. Foreign current risk, for an investment, is the risk associated with currency fluctuations when an investment is denominated in a foreign currency. The Firefighters' Supplemental Pension Plan mutual fund held \$1,128,657 (8%) in investments in foreign securities denominated in U.S. dollars. The investment policy for this fund limits the investment in foreign securities to 10% of the cost of the assets held. As of September 30, 2007, the fund held the following investments in obligations of foreign securities:

<u>Mutual Funds:</u>	<u>Cost</u>	<u>\$ Denomination</u>	<u>Maturity</u>
Westwood Trust Int'l Equity Fund	\$ 1,128,657	USD	N/A

Credit Risk. Credit risk is the risk of loss due to the failure of the security issuer or other counterparty. 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.

CITY OF LAKELAND, FLORIDA
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

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

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 Firefighters' Retirement System Fund:

Investment Class	S & P Rating	Moody's Rating
Firefighters' Retirement System Fund		
Money Market Funds	A-1	P-1
Fixed Income	BBB or higher	Baa or higher

As of September 30, 2007, the City of Lakeland's Firefighters' Retirement System Fund's investments in bond mutual funds and money market funds had the following aggregate S&P and Moody's credit quality ratings:

S&P Rating:

	Cost	% of Total	Market	% of Total
AAA	\$ 593,441	9.98%	\$ 593,441	10.07%
NR	5,351,547	90.02%	5,299,945	89.93%
	<u>\$ 5,944,988</u>	<u>100.00%</u>	<u>\$ 5,893,386</u>	<u>100.00%</u>

Moody's Rating:

	Cost	% of Total	Market	% of Total
Aaa	\$ 593,441	9.98%	\$ 593,441	10.07%
NR	5,351,547	90.02%	5,299,945	89.93%
	<u>\$ 5,944,988</u>	<u>100.00%</u>	<u>\$ 5,893,386</u>	<u>100.00%</u>

As of September 30, 2007, the fair market values of the City of Lakeland's Firefighters' Retirement System Fund's investment types had the following credit quality ratings:

S&P

	Bond Mutual Funds		Money Market Funds	
	Market	% of Total	Market	% of Total
AAA	\$ -	0.00%	\$ 593,441	100.00%
NR	5,299,945	100.00%	-	0.00%
	<u>\$ 5,299,945</u>	<u>100.00%</u>	<u>\$ 593,441</u>	<u>100.00%</u>

Moody's

	Bond Mutual Funds		Money Market Funds	
	Market	% of Total	Market	% of Total
Aaa	\$ -	0.00%	\$ 593,441	100.00%
NR	5,299,945	100.00%	-	0.00%
	<u>\$ 5,299,945</u>	<u>100.00%</u>	<u>\$ 593,441</u>	<u>100.00%</u>

No more than 5% of assets shall be in common stock on one company and foreign securities are not permitted to exceed 10% of total fund assets at cost value. As of September 30, 2007, the fund had no investments in common stock. The City of Lakeland's investment allocation limits and actual limits of the Lakeland's Firefighters' Retirement System Fund as of September 30, 2007 are as follows:

Asset Class (Market)	Maximum %	Actual %
Equity	70%	69.27%
Foreign Securities	10%	8.28%

CITY OF LAKELAND, FLORIDA
FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

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

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	Fair Value		Investment Maturities (in years)		
	Primary	Less			More
	Government	than 1	1-5	6-10	than 10
Money Market (1)	\$ 593,441	\$ 593,441	\$ -	\$ -	\$ -
Mutual Funds (1)	17,248,638	17,248,638	-	-	-
Total	<u>\$ 17,842,079</u>	<u>\$ 17,842,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) 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.

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

Cash	\$ 2,147
State Board of Administration	21,893
Money market funds	<u>593,441</u>
 Total cash & cash equivalents	 <u>\$ 617,481</u>

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.

NOTE E – 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
FIREFIIGHTERS' 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>
	2007	\$ -	\$ 790,992	\$ 457,131
% of the ARC		-n/a-	173%	
	2006	-	418,705	620,742
% of the ARC		-n/a-	67%	
	2005	-	485,476	657,528
% of the ARC		-n/a-	74%	
	2004	-	465,799	603,862
% of the ARC		-n/a-	77%	
	2003	-	441,504	540,413
% of the ARC		-n/a-	82%	
	2002	-	426,755	413,918
% of the ARC		-n/a-	103%	

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 October 1, 2006.

Actuarial Assumptions Utilized:

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