



**City of Lauderhill  
Firefighters' Retirement System**

**Financial Statements  
Years Ended September 30, 2014 and 2013**



**City of Lauderdale Firefighters' Retirement System**  
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## Independent Auditors' Report

Board of Trustees  
City of Lauderhill Firefighters' Retirement System  
Lauderhill, Florida

We have audited the accompanying financial statements of the City of Lauderhill Firefighters' Retirement System (the "Plan"), which comprise the statements of fiduciary net position as of September 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Lauderhill Firefighters' Retirement System as of September 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## Independent Auditors' Report (continued)

### Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2014, the Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The financial statements as of and for the year ended September 30, 2013 were restated due to the implementation of GASB Statement No. 67. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules included under required supplementary information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Supplemental Information*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying other supplemental schedules of investment expenses and administrative expenses as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Goldstein Schechter Koch, P.A.*

Hollywood, Florida  
March 10, 2015

# City of Lauderhill Firefighters' Retirement System

Pension Office

Sean Henderson, Chairman  
Michael Taussig, Vice Chairman  
Karen Pottinger, Secretary  
Ryan Gabner, Trustee  
John Leicht, Trustee



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## Management's Discussion and Analysis (Required Supplementary Information - Unaudited) September 30, 2014 and 2013

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Our discussion and analysis of the City of Lauderhill Firefighters' Retirement System (the "Plan") financial performance provides an overview of the Plan's financial activities and funding conditions for the fiscal years ended September 30, 2014 and 2013. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

### Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal year ended September 30, 2014 and 2013 by \$62,842,972 and \$56,334,474, respectively (reported as net position held in trust for pension benefits). Net position is held in trust to meet future benefit payments. The increase of \$6,508,498 and \$9,118,123 of the respective years has resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.

- Receivables at September 30, 2014 were more than receivables at September 30, 2013 by \$70,236 (or 24.7%) due primarily to increase in receivable for securities sold.

Receivables at September 30, 2013 were less than receivables at September 30, 2012 by \$129,379 (or 31.3%) due primarily to decrease in the city and member contributions receivables.

- Liabilities at September 30, 2014 were greater than liabilities at September 30, 2013 by \$7,568 (or 2.3%) due primarily to an increase in payable for securities purchased.

Liabilities at September 30, 2013 were greater than liabilities at September 30, 2012 by \$158,230 (or 94.3%) due primarily to an increase in payable for securities purchased.

- For the fiscal year ended September 30, 2014, City contributions to the Plan decreased \$37,902 (or 0.9%) based on the actuarial valuation. Actual City contributions were \$4,164,581 and \$4,202,483 for 2014 and 2013, respectively.

For the fiscal year ended September 30, 2013, City contributions to the Plan increased \$678,544 (or 19.3%) based on the actuarial valuation. Actual employer contributions were \$4,202,483 and \$3,523,939 for 2013 and 2012, respectively.

**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**  
**September 30, 2014 and 2013**

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**Financial Highlights – continued**

- For the fiscal year ended September 30, 2014, member contributions increased by \$40,289 (or 4.3%). Actual member contributions were \$970,011 and \$929,722 for 2014 and 2013, respectively.

For the fiscal year ended September 30, 2013, member contributions increased by \$37,626 (or 4.2%). Actual member contributions were \$929,722 and \$892,096 for 2013 and 2012, respectively.

- For the fiscal year ended September 30, 2014, net investment income decreased by \$2,407,509. The actual results were \$4,373,434 and \$6,877,341 of net appreciation in fair value of investments for 2014 and 2013, respectively, and \$1,070,545 and \$924,284 of income from interest and dividends for 2014 and 2013, respectively. Investment expenses for the fiscal year ended September 30, 2014 increased by \$49,863 (or 13.9%) from 2013.

For the fiscal year ended September 30, 2013, net investment income decreased by \$344,478. The actual results were \$6,877,341 and \$7,172,278 of net appreciation in fair value of investments for 2013 and 2012, respectively, and \$924,284 and \$926,461 of income from interest and dividends for 2013 and 2012, respectively. Investment expenses for the fiscal year ended September 30, 2013 increased by \$47,364 (or 15.3%) from 2012.

- For the fiscal year ended September 30, 2014, benefit payments, including refunds, increased by \$246,953 (or 6.6%) from 2013 because of the increase in the members retiring and supplemental benefit payments to retirees.

For the fiscal year ended September 30, 2013, benefit payments, including refunds, decreased by \$678,455 (or 15.4%) from 2012 because of the decrease in the members retiring and supplemental benefit payments to retirees.

- For the fiscal year ended September 30, 2014 administrative expenses decreased by \$22,243 (or 11.6%) from 2013 due primarily to decrease in fees for professional services.

For the fiscal year ended September 30, 2013 administrative expenses increased by \$16,771 (or 9.6%) from 2012 due primarily to increase in fees for professional services.

**Plan Highlights**

For the year ending September 30, 2014, the investment return of the portfolio was 8.9% for the fiscal year. Actual net returns from investments were net investment income of \$5,036,474 in 2014 compared with a net investment income of \$7,443,983 in 2013.

For the year ending September 30, 2013, the investment return of the portfolio was 15.7% for the fiscal year. Actual net returns from investments were net investment income of \$7,443,983 in 2013 compared with a net investment income of \$7,788,461 in 2012.

**Management's Discussion and Analysis  
(Required Supplementary Information - Unaudited)  
September 30, 2014 and 2013**

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**Overview of the Financial Statements**

The basic financial statements include the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position and Notes to the Financial Statements. The Plan also includes in this report additional information to supplement the financial statements.

The Plan presents required supplementary information and other supplemental schedules as described below.

The Plan prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. These statements provide information about the Plan's overall financial status.

**Description of the Financial Statements**

The *Statement of Fiduciary Net Position* presents information that includes all of the Plan's assets and liabilities, with the balance representing the net position restricted for pensions. It is a snapshot of the financial position of the Plan at that specific point in time and reflects the resources available to pay members, retirees and beneficiaries at that point in time.

The *Statement of Changes in Fiduciary Net Position* reports how the Plan's net position changed during the fiscal year. The additions and deductions to net position are summarized in this statement. The additions include contributions to the retirement plan from employers (City and State) and members and net investment income (loss), which includes interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The *Notes to the Financial Statements* are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Plan, contributions, significant accounting policies, funding policy, and investment risk disclosure.

There is also *Required Supplementary Information* included in this report as required by the Governmental Accounting Standards Board. These schedules consist of the Plan's actuarial methods and assumptions and provide data on changes in the City's net pension liability, the City's contributions, and the Plan's investment returns.

Additional information is presented as part of *Other Supplemental Schedules*. This section is not required but management has chosen to include it. It includes *Schedules of Investment Expenses and Administrative Expenses*. The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the Plan and include financial management, consultant, and custodial fees. The *Schedule of Administrative Expenses* presents the expenses incurred in the administration of the Plan.

**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**  
**September 30, 2014 and 2013**

**Condensed Statements of Fiduciary Net Position**

The table below reflects condensed comparative statements of fiduciary net position as of September 30:

	<b>2014</b>	2013 (Restated)	2012 (Restated)
Cash and cash equivalents	\$ 3,244,615	\$ 3,742,911	\$ 2,017,576
Receivables	354,318	284,082	413,461
Investments	<b>59,577,614</b>	52,633,488	44,953,091
Total assets	<b>63,176,547</b>	56,660,481	47,384,128
Liabilities	<b>333,575</b>	326,007	167,777
Net position restricted for pensions	<b>\$ 62,842,972</b>	\$ 56,334,474	\$ 47,216,351

**Condensed Statements of Changes in Fiduciary Net Position**

The table below reflects condensed comparative statements of the changes in fiduciary net position and reflect the activities of the Plan for the fiscal years ended September 30:

	<b>2014</b>	2013 (Restated)	2012 (Restated)
<b>Additions:</b>			
<b>Contributions</b>			
City	\$ 4,164,581	\$ 4,202,483	\$ 3,523,939
Member	970,011	929,722	892,096
State	<b>492,840</b>	472,633	440,960
Total	<b>5,627,432</b>	5,604,838	4,856,995
Net investment income	<b>5,036,474</b>	7,443,983	7,788,461
Total additions	<b>10,663,906</b>	13,048,821	12,645,456
<b>Deductions:</b>			
Benefits paid	<b>3,982,063</b>	3,682,234	4,417,593
Refund of contributions	4,028	56,904	-
Administrative expenses	<b>169,317</b>	191,560	174,789
Total deductions	<b>4,155,408</b>	3,930,698	4,592,382
Net increase	<b>6,508,498</b>	9,118,123	8,053,074
Net position restricted for pensions			
at beginning of year	<b>56,334,474</b>	47,216,351	39,163,277
Net position restricted for pensions			
at end of year	<b>\$ 62,842,972</b>	\$ 56,334,474	\$ 47,216,351

The Plan's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

**Management's Discussion and Analysis  
(Required Supplementary Information - Unaudited)  
September 30, 2014 and 2013**

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**Asset Allocation**

At the end of the fiscal year end September 30, 2014, the domestic equity portion comprised 48.9% (\$30,712,024) of the total portfolio. The allocation to fixed income securities was 15.7% (\$9,874,838) while cash and cash equivalents comprised 5.2% (\$3,244,615). The portion of investments allocated to international equity was 13.6% (\$8,577,861) and the allocation to real estate funds was 15.0% (\$9,412,891) of the total portfolio. The Plan had 1.6% (\$1,000,000) allocated to note receivable.

At the end of the fiscal year end September 30, 2013, the domestic equity portion comprised 53.6% (\$30,187,620) of the total portfolio. The allocation to fixed income securities was 16.9% (\$9,506,135) while cash and cash equivalents comprised 6.6% (\$3,742,911). The portion of investments allocated to international equity was 13.8% (\$7,803,276) and the allocation to real estate funds was 7.3% (\$4,136,457) of the total portfolio. The Plan had 1.8% (\$1,000,000) allocated to note receivable.

The target asset allocation was as follows:

	<b>2014</b>	2013
Domestic equity	<b>50%</b>	50%
International equity	<b>15%</b>	15%
Fixed income	<b>20%</b>	25%
Real estate	<b>15%</b>	10%
Cash	<b>0%</b>	0%

**Contacting the Plan's Financial Management**

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Lauderhill Firefighters' Retirement System, 126 Cheffey Road, Palatka, FL 32177.

# City of Lauderdale Firefighters Retirement System

## Statements of Fiduciary Net Position

September 30, 2014

	Plan	Supplemental Retirement Benefit Account	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,244,615	\$ -	\$ 3,244,615
Receivables:			
Member contributions	440	-	440
Interest and dividends	102,084	-	102,084
Receivable for securities sold	251,794	-	251,794
Due to/from other accounts	(757,219)	757,219	-
Total receivables	(402,901)	757,219	354,318
Investments, at fair value:			
Domestic equity	30,712,024	-	30,712,024
International equity fund	8,577,861	-	8,577,861
Debt securities	9,874,838	-	9,874,838
Real estate fund	9,412,891	-	9,412,891
Note receivable	1,000,000	-	1,000,000
Total investments	59,577,614	-	59,577,614
<b>Total assets</b>	<b>62,419,328</b>	<b>757,219</b>	<b>63,176,547</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	53,050	-	53,050
Prepaid City contributions	4,016	-	4,016
Payable for securities purchased	276,509	-	276,509
<b>Total liabilities</b>	<b>333,575</b>	<b>-</b>	<b>333,575</b>
<b>Net position restricted for pensions</b>	<b>\$ 62,085,753</b>	<b>\$ 757,219</b>	<b>\$ 62,842,972</b>

The accompanying notes are an integral part of these financial statements.

# City of Lauderdale Firefighters Retirement System

## Statements of Plan Fiduciary Position

September 30, 2013

	Plan (Restated)	Supplemental Retirement Benefit Account	Total (Restated)
<b>Assets</b>			
Cash and cash equivalents	\$ 3,742,911	\$ -	\$ 3,742,911
Receivables:			
Interest and dividends	102,084	-	102,084
Receivable for securities sold	181,998	-	181,998
Due to/from other accounts	(772,096)	772,096	-
Total receivables	(488,014)	772,096	284,082
Investments, at fair value:			
Domestic equity	30,187,620	-	30,187,620
International equity	1,002,871	-	1,002,871
International equity fund	6,800,405	-	6,800,405
Debt securities	9,506,135	-	9,506,135
Real estate fund	4,136,457	-	4,136,457
Note receivable	1,000,000	-	1,000,000
Total investments	52,633,488	-	52,633,488
<b>Total assets</b>	<b>55,888,385</b>	<b>772,096</b>	<b>56,660,481</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	106,518	-	106,518
Prepaid City contributions	4,016	-	4,016
Payable for securities purchased	215,473	-	215,473
<b>Total liabilities</b>	<b>326,007</b>	<b>-</b>	<b>326,007</b>
<b>Net position held in trust for pension benefits, as restated</b>	<b>\$ 55,562,378</b>	<b>\$ 772,096</b>	<b>\$ 56,334,474</b>

The accompanying notes are an integral part of these financial statements.

# City of Lauderdale Firefighters Retirement System

## Statements of Changes in Fiduciary Net Position

For the Year Ended September 30, 2014

	<b>Plan</b>	<b>Supplemental Retirement Benefit Account</b>	<b>Total</b>
<b>Additions</b>			
Contributions:			
City	\$ 4,164,581	\$ -	\$ 4,164,581
Member	970,011	-	970,011
State	167,361	325,479	492,840
Total contributions	5,301,953	325,479	5,627,432
Investment income:			
Net appreciation in fair value of investments	4,373,434	-	4,373,434
Interest and dividends	1,070,545	-	1,070,545
Total investment income	5,443,979	-	5,443,979
Less: Investment expenses	407,505	-	407,505
Net investment income	5,036,474	-	5,036,474
Total additions	10,338,427	325,479	10,663,906
<b>Deductions</b>			
Benefits paid	3,641,707	340,356	3,982,063
Refund of contributions	4,028	-	4,028
Administrative expenses	169,317	-	169,317
Total deductions	3,815,052	340,356	4,155,408
<b>Net increase (decrease)</b>	<b>6,523,375</b>	<b>(14,877)</b>	<b>6,508,498</b>
<b>Net position held in trust for pension benefits</b>			
<b>Beginning of year</b>	<b>\$ 55,562,378</b>	<b>\$ 772,096</b>	<b>\$ 56,334,474</b>
<b>End of year</b>	<b>\$ 62,085,753</b>	<b>\$ 757,219</b>	<b>\$ 62,842,972</b>

The accompanying notes are an integral part of these financial statements.

# City of Lauderdale Firefighters Retirement System

## Statements of Changes in Fiduciary Net Position

For the Year Ended September 30, 2013

	Plan (Restated)	Supplemental Retirement Benefit Account	Total (Restated)
<b>Additions</b>			
Contributions:			
City	\$ 4,202,483	\$ -	\$ 4,202,483
Member	929,722	-	929,722
State	167,361	305,272	472,633
Total contributions	5,299,566	305,272	5,604,838
Investment income:			
Net appreciation in fair value of investments	6,877,341	-	6,877,341
Interest and dividends	924,284	-	924,284
Total investment income	7,801,625	-	7,801,625
Less: Investment expenses	357,642	-	357,642
Net investment income	7,443,983	-	7,443,983
Total additions	12,743,549	305,272	13,048,821
<b>Deductions</b>			
Benefits paid	3,323,952	358,282	3,682,234
Refund of contributions	56,904	-	56,904
Administrative expenses	191,560	-	191,560
Total deductions	3,572,416	358,282	3,930,698
<b>Net increase (decrease)</b>	9,171,133	(53,010)	9,118,123
<b>Net position held in trust for pension benefits, as restated</b>			
<b>Beginning of year</b>	46,391,245	825,106	47,216,351
<b>End of year</b>	\$ 55,562,378	\$ 772,096	\$ 56,334,474

The accompanying notes are an integral part of these financial statements.

# City of Lauderhill Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

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### Note 1 - Description of the Plan

#### *Organization*

The City of Lauderhill Firefighters' Retirement System (the "Plan"), is a single-employer defined benefit pension plan covering firefighters of the City of Lauderhill, Florida (the "City"). Prior to October, 1995, the Plan was a combined Plan with the City of Lauderhill General Employees. The following brief description is provided for general information purposes only. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive financial report as part of the City's financial entity. Participants should refer to Ordinance 83-112 of the City of Lauderhill and Summary Plan Description for more complete information.

The Plan's governing board is made up of a Board of Trustees consisting of five members:

- Two are active fire employees who are elected by active members of the plan
- Two are legal residents of the City who are elected by the City Commission
- One is elected by a majority of the previous four members

The following brief description of the Plan is provided for general information purposes only. Members should refer to the plan agreement for more detailed and comprehensive information.

#### *Participants*

Plan participants are full-time firefighters of the City, regardless of rank. Tier One members are members hired prior to October 1, 2009 and Tier Two members hired on or after October 1, 2009.

#### *Membership*

At October 1, Plan membership consisted of:

	<b>2013</b>	2012
Retirees and beneficiaries currently receiving benefits, DROP members, and terminated employees entitled to benefits but not yet receiving them.	<b>68</b>	67
Current employees:		
Vested	<b>20</b>	22
Nonvested	<b>64</b>	58
Total current employees	<b>84</b>	80

#### *Contributions*

Members of the Plan are required to contribute 13.72% of covered earnings.

#### *Pension Benefits*

##### Tier One Members

Participants may retire and receive normal retirement benefits upon reaching the age of 55 with no less than 10 years of creditable service, or completing 20 years of service, regardless of age, whichever occurs first.

# City of Lauderhill Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

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### Note 1 - Description of the Plan – continued

#### *Pension Benefits– continued*

##### Tier One Members – continued

Upon normal retirement, firefighters receive a monthly pension amount equal to 3% of average monthly earnings times years of credited service prior to October 1, 2003. For all years of credited service after October 1, 2003, the monthly retirement benefit shall be an amount equal to 4% of average monthly earnings times years of credited service. The average monthly earnings for participants are computed based on the highest consecutive three years out of the last ten years of employment.

##### Tier Two Members

Tier Two benefits shall be administered in the same manner as Tier One benefits, except as follows:

The normal retirement benefit for Tier Two members shall be calculated using a three (3) percent multiplier for each year of service with a maximum seventy-five (75) percent benefit after twenty-five (25) years of service, however, such members may increase their pension multiplier to three and one-half (3.5) percent provided that all costs associated with such an increase are borne solely by the member. The Plan provides for a purchase, by Tier 2 Members, to increase the multiplier for service to three and one-half percent (3.5%). The purchase of this enhanced pension multiplier can be accomplished by various means as outlined in the Plan ordinance.

Average monthly earnings for Tier Two members who retire with less than twenty-five (25) years of credited service shall mean one-twelfth (1/12) of the arithmetic average of annual earnings for the highest consecutive four (4) years of the ten (10) full years immediately preceding the actual retirement or termination date of a member and for Tier Two members who retire with twenty-five (25) years or more of credited service average monthly earnings shall mean one-twelfth (1/12) of the arithmetic average of annual earnings for the highest consecutive three (3) years of the ten (10) full years immediately preceding the actual retirement or termination date of a member.

#### *Early Retirement*

A participant may retire early after completing 10 years of credited service and attaining the age of 50. Upon early retirement, the participant may receive the normal benefits accrued to the date of early retirement payable at the normal retirement date or reduced by 3% for each year early retirement date precedes normal retirement date.

#### *Variable Benefits*

Effective October 1, 1999, for all firefighters employed on or after October 1, 1997, a variable benefit will be paid. Based upon procedures and methods adopted by the Board of Trustees, as determined to be actuarially sound by the City of Lauderhill Firefighters' Retirement System's actuaries, benefits currently payable under this article shall be increased from time to time, but no more than 3%.

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

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### Note 1 - Description of the Plan – continued

#### *Disability Benefits*

A participant, who incurs a service-connected disability, is eligible for benefits. A participant, who incurs a nonservice-connected disability after two years of service, is eligible for benefits. The benefit is equal to the greater of 50% of the rate of monthly earnings in effect on the date of disability or the monthly benefit accrued to the date of disability. The total monthly benefits paid (i.e., disability benefits, worker's compensation and social security benefits) shall not exceed 100% of the employee's salary for service incurred disability and shall not exceed 80% for nonservice incurred disability. The benefit is paid in the form of an annuity until the earlier of death or recovery.

#### *Death Benefits*

The Plan provides benefits for spouses and children of participants for both service-connected deaths and nonservice-connected deaths. However, the participant must have been eligible for early or normal retirement to receive a nonservice-connected death benefit.

#### *Termination*

Upon termination of employment with less than ten years of credited service, a participant is entitled to a refund of their accumulated contributions plus interest credited at a rate of 3% per annum.

#### *Deferred Retirement Option Plan*

Effective September 24, 2001, the Plan implemented a Deferred Retirement Option Plan (DROP). Eligibility to enter the DROP is for firefighters who have attained, 20 years for Tier One members and 25 years for Tier Two members, of credited service or upon earning a pension benefit equal to 80%. The maximum number of months in which a firefighter may participate in the DROP shall be reduced by 1 month for each month of eligibility after attaining 80% accrued benefit for Tier One members and 25 years of service for Tier Two members. The number of months a Tier Two member may participate in the DROP shall be reduced by one month for each month of eligibility following completion of 25 years of credited service during which the member does not participate in the DROP. Participation in the DROP is limited to a maximum of 60 months.

The DROP account earns a variable return equal to the Plans rate of return less an adjustment for administrative expenses. Alternatively, for Tier One members, at the option of the member, the member's DROP account will be paid a fixed amount as determined by the Board of Trustees. Once a member enters the DROP, their monthly retirement benefit is frozen, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including investment earnings, is paid in a cash lump sum, unless the member elects all or a portion paid to an eligible retirement plan in a direct rollover.

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

### Note 1 - Description of the Plan – continued

#### *Deferred Retirement Option Plan – continued*

A summary of the changes in the DROP balance as of September 30 is as follows:

	2014	2013
Beginning balance	\$ 1,097,677	\$ 950,788
Additions	530,622	514,422
Distributions	(444,782)	(416,707)
Interest	69,868	49,174
Ending balance	\$ 1,253,385	\$ 1,097,677

#### *Supplemental Retirement Benefits*

Effective December 9, 2002, the Plan created a supplemental retirement benefit to be funded by the payment to the supplemental retirement fund (for bookkeeping purposes) of seventy-five (75) percent of the Plan's prior years actuarial gain remaining after the applications of payments of variable benefits and payment of any increase in insurance premium tax revenue received by the City pursuant to Chapter 175, over the amount received by the City for 1997, after all minimum benefits are paid.

The supplemental retirement benefit will be paid in equal monthly installments effective October 1, to retirees or their beneficiaries (when the retiree is deceased). The annual payments to a retiree shall not exceed (1) year's payment of the premium cost of the individual retiree health insurance provided by the City, for the previous September 30.

Participants in the DROP will not be eligible for the supplemental retirement benefit until such time as they separate from service. The ordinance also provides for calculating the benefits when the full amounts of funds are not available and the treatment of excess funds. The supplemental retirement benefits will be paid only to those eligible persons who retired after October 1, 2000.

#### *Cost of Living Benefit*

Effective October 1, 2006, for Tier One members, each retiree, including all retirees who retired prior to October 1, 2006, shall have their monthly retirement benefits increased by a sum equal to 1.5% (the "COLA") per year. Provided, however, that the retiree must have been retired for three years before being entitled to the COLA. Following the retirees death, the COLA will be paid to each designated beneficiary.

Tier Two members shall have their monthly retirement increased by a sum equal to the net return of the plan per year, with a one and one-half (1.5) percent cap and zero (0) percent floor per year and a Tier Two member must have been retired for three (3) years before he/she is entitled to a Tier Two Cola.

#### *Funding Requirements*

Pursuant to Florida Statute, Chapters 175, contributions from the State of Florida Department of Insurance consist of excise tax imposed by the City upon certain casualty insurance companies on the gross amount of receipts of premiums from policy holders on all premiums collected on casualty insurance policies covering property within the City. The allowable portion of the State contribution is used to reduce the City's contributions when received. The City (Employer) is expected to contribute such additional amounts as necessary on an actuarial basis to fund the Plan's expenses, normal cost and to amortize the unfunded actuarial accrued liability.

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

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### Note 1 - Description of the Plan – continued

#### *Investments*

The Plan has contracts with investment counselors who supervise and direct the investments in equity and fixed income securities. In addition, the Plan utilizes an investment consultant who monitors the investing activity. The investments owned are held by a custodian in the name of the Plan. The Plan provides for investments in U.S. Government securities, money market funds, bonds, notes, common stock, real estate and international equity securities.

### Note 2 - Summary of Significant Accounting Policies

#### *Basis of Accounting*

The Plan's financial statements are prepared on the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are due. City contributions are recognized as revenue when due pursuant to the actuarial valuation. State contributions are recognized in the period in which they are approved by the State. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest income is recorded as earned and dividend income is recorded as of the ex-dividend date.

#### *Cash equivalents*

The Plan considers all highly liquid investments with an original maturity of one year or less when purchased to be cash equivalents.

#### *Investments*

Plan investments are reported at fair value in the Statement of Fiduciary Net Position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The diversity of the investment types in which the Plan has entered into requires a range of techniques to determine fair value. The overall valuation processes and information sources by major investment classification are as follows:

- Equity investments: These include domestic and international common stock, international equity funds and Real Estate Investment Trusts (REITS). Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2014 and 2013. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings. REITS are securities that sell like a stock on major exchanges and invest in real estate directly.
- Real estate funds: To value real estate funds, management, in consultation with the general partners and investment advisors, determines the fair value of the individual investments based upon the partnerships' most recent available financial information for cash flow activities through September 30, 2014 and 2013. The estimated fair value of this investment may differ from values that would have been used had a ready market existed.

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

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### Note 2 - Summary of Significant Accounting Policies – continued

#### *Investments – continued*

- Debt securities: Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporate bonds and note receivable. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). The market values for securities including note receivable, that have no quoted market price, represent estimated fair value. For note receivable, the market value represents estimated fair value as a quoted price is not available. In general, corporate bonds have been valued at quoted market prices or, if not available, values based on yields currently available on comparable securities of issuers with similar credit ratings.

Unrealized gains and losses are presented as net appreciation in fair value of investments on the statement of changes in fiduciary net position along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on a trade-date basis.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### *Income Tax Status*

The Plan is tax-exempt under the Internal Revenue Code, and, therefore, has recorded no income tax liability or expense.

#### *Risk and Uncertainties*

Contributions to the Plan and the actuarial information included in the required supplementary information (“RSI”) are reported based on certain assumptions pertaining to the interest rates, inflation rates and member compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

#### *Recently Adopted Accounting Pronouncements*

The Plan adopted Governmental Accounting Standards Board (“GASB”) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* (GASB Statement No. 67). GASB Statement No. 67 applies to pension plans that administer pension benefits for governments through a trust or equivalent arrangement that meets certain specified criteria. GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the net pension liability of employers for benefits provided through the pension plan. The adoption changed various reporting terminology, footnote disclosures, and required supplementary information to be disclosed. The adoption of GASB 67 also required a restatement of prior years’ liabilities in accordance with GASB 67. See Note 8.

# City of Lauderhill Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

### Note 2 - Summary of Significant Accounting Policies – continued

#### *Subsequent Events*

Management has evaluated subsequent events through March 10, 2015, the date which the financial statements were available for issue.

### Note 3 - Contributions

#### *Actual Contributions*

The actual City and State contributions amounted to \$4,657,421 and \$4,675,116 for the years ended September 30, 2014 and 2013, respectively. The actual amount of annual covered payroll for the years ended September 30, 2014 and 2013 were approximately \$7,070,000 and \$6,776,000, respectively. City and State contributions consisted of the following for the year ended September 30:

	2014		2013	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
City contributions	\$ 4,164,581	58.90%	\$ 4,202,483	62.02%
State contributions	492,840	6.97	472,633	6.98
Total city and state	\$ 4,657,421	65.87%	\$ 4,675,116	69.00%

Member contributions were \$970,011 and \$929,722 for the fiscal years ended September 30, 2014 and 2013, respectively.

#### *Actuarially Determined Contributions*

Effective, May 30, 2012, the Division of Retirement mandated that local governments confer with the Plan's actuary to select and maintain a contribution method (percentage of payroll or fixed dollar contribution) that best fits the funding requirements of the Plan. For the years ended September 30, 2014 and 2013, the Plan selected to use the fixed dollar contribution amount.

The contributions required from the City of Lauderhill and the State for the fiscal years ended September 30, 2014 and 2013 were actuarially determined by the October 1, 2012 and 2011 valuation reports to be \$4,331,942 and \$4,369,844, respectively. The actuarially computed annual covered payroll amounted to approximately \$6,908,000 and \$6,464,000, respectively.

The required City and State contribution covers the following for September 30:

	2014		2013	
	Amount	Percent of Actual Covered Annual Payroll	Amount	Percent of Actual Covered Annual Payroll
Normal cost	\$ 2,194,508	31.77%	\$ 2,065,549	31.96%
Amortization of unfunded liability	2,137,434	30.94	2,304,295	35.65
Total required from city and state	\$ 4,331,942	62.71%	\$ 4,369,844	67.61%

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

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### Note 4 – Deposits and Investment Risk Disclosures

#### *Cash and Cash Equivalents*

Deposits are carried at cost and are included in cash and cash equivalents in the statement of fiduciary net position. Cash and cash equivalents include short-term investment funds at September 30, 2014 and 2013.

#### *Investment Authorization*

The Plan's investment policy is determined by the Board of Trustees. The policy has been identified by the Board to provide for the accumulation and distribution of money in an actuarially sound fashion over the years of the employees' service and subsequent retirement. The Trustees are authorized to acquire and retain every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account.

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 85% of the Plan's total asset value. No more than 5% of the portfolio may be invested in the shares of a single corporate issuer at cost. The target allocation for investments in stocks of foreign companies is 15% of the value of the portfolio.

The fixed income portfolio shall be comprised of securities rated not less than "A" rating by a major rating service and limited to no more than 40% of the Plan's total asset value. In the event that there is a downgrade in the quality below the "BAA" rating or equivalent by both S&P and Moody's, the security must be liquidated immediately or in a manner not to be detrimental to the performance of the plan.

#### *Types of Investments*

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments.

The current target allocation of these investments at market is as follows:

Authorized investments	Target % of portfolio
Domestic equity	50%
Fixed income	20%
International equity	15%
Real estate	15%
Cash	0%

#### *Rate of Return*

For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.83%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

### Note 4 – Deposits and Investment Risk Disclosures - continued

#### Investments

The table below shows the Plan's investments by type as of September 30:

	2014	2013
Equity securities, domestic:		
Common stock	\$ 30,712,024	\$ 29,310,339
Real estate investment trust	-	877,281
Total equity securities, domestic	<b>30,712,024</b>	<b>30,187,620</b>
Equity securities, international		
Common stock	-	1,002,871
International equity mutual funds	8,577,861	6,800,405
Real estate fund	9,412,891	4,136,457
Debt securities:		
U.S. treasuries	1,582,119	1,314,891
U.S. agencies	2,139,816	2,228,784
Corporate bonds	6,152,903	5,962,460
Note receivable	1,000,000	1,000,000
Total debt securities	<b>10,874,838</b>	<b>10,506,135</b>
<b>Total</b>	<b>\$ 59,577,614</b>	<b>\$ 52,633,488</b>

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity at September 30:

2014					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 1,582,119	\$ -	\$ 1,371,134	\$ -	\$ 210,985
U.S. agencies	2,139,816	-	94,653	84,472	1,960,691
Corporate bonds	6,152,903	50,104	2,415,406	1,866,356	1,821,037
	<b>\$ 9,874,838</b>	<b>\$ 50,104</b>	<b>\$ 3,881,193</b>	<b>\$ 1,950,828</b>	<b>\$ 3,992,713</b>

2013					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 1,314,891	\$ -	\$ -	\$ 1,153,257	\$ 161,634
U.S. agencies	2,228,784	-	79,077	156,771	1,992,936
Corporate bonds	5,962,460	546,805	1,391,720	2,038,814	1,985,121
	<b>\$ 9,506,135</b>	<b>\$ 546,805</b>	<b>\$ 1,470,797</b>	<b>\$ 3,348,842</b>	<b>\$ 4,139,691</b>

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

### Note 4 – Deposits and Investment Risk Disclosures - continued

#### *Credit Risk*

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following tables disclose credit ratings by investment type, at September 30, 2014 and 2013, as applicable:

	2014		2013	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 3,721,935	37.69%	\$ 3,543,675	37.28%
Quality rating of credit risk debt securities:				
AAA	325,522	3.30	591,316	6.22
AA+	835,541	8.46	932,448	9.81
AA	429,880	4.35	315,942	3.32
AA-	176,842	1.79	184,543	1.94
A+	655,986	6.64	636,339	6.69
A	1,853,224	18.77	1,658,714	17.45
A-	1,563,880	15.84	1,416,120	14.90
BBB+	159,386	1.61	207,885	2.19
BBB	152,642	1.55	19,153	0.20
BBB-	-	-	-	-
Total credit risk debt securities	6,152,903	62.31	5,962,460	62.72
Total fixed income securities	\$ 9,874,838	100.00%	\$ 9,506,135	100.00%

\* 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 have purchase limitations.

#### *Concentration of Credit Risk*

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2014 and 2013.

#### *Custodial Credit Risk*

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk 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. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan and are held either by the counterparty's trust department or agent but not in the Plan's name.

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

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### Note 4 – Deposits and Investment Risk Disclosures - continued

Consistent with the Plan's investment policy, the investments are held by the Plan's custodial bank and registered in the Plan's name. All of the Plan's deposits are insured and or collateralized by a financial institution separate from the Plan's depository financial institution.

### Note 5 – Commitments

The Plan is obligated for payments under a one year operating lease for office space that expires February 28, 2015. As effective March 10, 2015, the Plan renewed this lease for an additional year. The lease requires a monthly rent of \$530.

Rent expense was \$6,360 and \$6,340 for the fiscal years ending September 30, 2014 and 2013, respectively.

### Note 6 – Related Party Transaction

As of September 30, 2014 and 2013, the Plan has a note receivable from the City of Lauderdale Housing Authority and the City as guarantor, the Plan Sponsor, for \$1,000,000. The note accrues interest at 7.0% per annum. Commencing on July 1, 2010 and continuing on the first day of each quarter thereafter, consecutive quarterly payments of interest only on the outstanding principal balance shall be made. The note matures on July 1, 2020 at which time the remaining indebtedness, if not paid sooner, shall be due.

During the fiscal years ended September 30, 2014 and 2013, the Plan recorded interest income of \$70,000. There was no accrued interest and dividends receivable due on the note for the fiscal years ending September 30, 2014 and 2013.

The City of Lauderdale Housing Authority and the City, severally expressly grant to the Plan a continuing first lien security interest in any and all money, general or specific deposits, or property of any such parties now or hereafter in their possession.

### Note 7 – Net Pension Liability of the City

The components of the net pension liability of the City at September 30, 2014 were as follows:

	<b>2014</b>
Total pension liability	\$ 78,122,204
Plan fiduciary net position	(62,842,972)
<u>City net pension liability</u>	<u>\$ 15,279,232</u>
Plan fiduciary net position as a percentage of total pension liability	80.44%

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

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### Note 7 – Net Pension Liability of the City - continued

#### *Actuarial Assumptions*

The total pension liability at September 30, 2014 was determined using an actuarial valuation as of October 1, 2014. The actuarial valuation used the following actuarial assumptions:

Inflation	3.0%
Projected salary increases	7.0%
Investment rate of return	8.0% gross of investment expense, including inflation

Mortality rates are calculated with the RP-2000 Combined Mortality Table with Scale AA.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2007 to September 30, 2012.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*.

ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of the valuation date of October 1, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

#### Long-Term Expected Real Rate of Return

Asset Class	2014
Large Cap	8.1%
Small / Mid Cap	9.6%
International Equity	5.2%
Real Estate	6.4%
Fixed Income	2.9%

\* Real rates of return are net of the long-term inflation assumption of 3.0% for 2014.

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

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### Note 7 – Net Pension Liability of the City - continued

#### *Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City calculated using the discount rate of 8.0%, as well as what the employer net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 Percent) than the current rate:

	City Net Pension Liability		
	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
September 30, 2014	\$ 24,860,132	\$ 15,279,232	\$ 7,296,755

### Note 8 – Restatement of Financial Statements

In accordance with U.S. GAAP and paragraph 49 of GASB 67, certain changes in accounting principles were retrospectively applied, and therefore, comparative financial statements include a restatement of all prior years presented for the following changes made to comply with the requirements of GASB 67.

The Plan administers a DROP (see Note 1). During the DROP participation period, each member's monthly retirement benefit accrues and the balance accumulates with the DROP account. Upon termination of employment and the end of the DROP period, each retired member's funds are immediately due and payable. Monthly accruals of benefits were previously expensed and accordingly recorded as a deduction on the Statement of Changes in Fiduciary Net Position. Similarly, the total amount of deferred retirement benefits that had accumulated but not yet been distributed at fiscal year-end were previously classified as a liability on the Statement of Fiduciary Net Position. According to paragraph 98 of GASB 67, "DROP balances, similar to other benefit payments, should be recognized as a pension plan liability only when ultimately due to the plan member." Further clarification is provided by question 37 in the GASB 67 implementation guide which states that "benefits generally would be considered due and payable only when they are required to be distributed to the plan member from the DROP account."

As a result of the preceding, financial statements have been restated to report a liability only for benefits due but not yet distributed to members who had ended their participation in the DROP program at September 30. Likewise, deductions have been restated to include only DROP amounts actually distributed to participants as well as amounts due but not yet distributed. Additions have also been restated to add back those that relate to the DROP for investment income earned by the DROP account.

# City of Lauderdale Firefighters' Retirement System

## Notes to the Financial Statements

September 30, 2014 and 2013

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### Note 8 – Restatement of Financial Statements - continued

The cumulative effect of the restatement is as follows:

#### Statement of Fiduciary Net Position

Total liabilities, previously reported	\$ 1,423,684
Impact of restatement	(1,097,677)
<u>Total liabilities, as restated</u>	<u>\$ 326,007</u>
Net position restricted for pensions, previously reported	\$ 55,236,797
Impact of restatement	1,097,677
<u>Total net position restricted for pensions, as restated</u>	<u>\$ 56,334,474</u>

#### Statement of Changes in Fiduciary Net Position

Total additions, previously reported	\$ 12,999,647
Impact of restatement	49,174
<u>Total additions, as restated</u>	<u>\$ 13,048,821</u>
Total deductions, previously reported	\$ 4,028,413
Impact of restatement	(97,715)
<u>Total deductions, as restated</u>	<u>\$ 3,930,698</u>

## **Required Supplementary Information**

**City of Lauderdale Firefighters Retirement System**  
**Required Supplementary Information**  
**Schedule of Changes in the City's Net Pension Liability (Unaudited)**  
**Last Fiscal Year**

<b>Total pension liability</b>		
Service cost	\$	2,440,094
Interest		5,928,052
Changes of benefit terms		345,399
Differences between expected and actual experience		(551,848)
Changes of assumptions		96,389
Benefit payments, including refunds of member contributions		(3,986,091)
Net change in total pension liability		4,271,995
Total pension liability- beginning		73,850,209
Total pension liability- ending		78,122,204
<b>Plan fiduciary net position</b>		
Contributions - City		4,164,581
Contributions - member		970,011
Contribution - State		492,840
Net investment income		5,036,474
Benefit payments, including refunds of member contributions		(3,986,091)
Administrative expenses		(169,317)
Net change in plan fiduciary net position		6,508,498
Plan fiduciary net position – beginning		56,334,474
Plan fiduciary net position - ending	\$	62,842,972
City's net pension liability	\$	15,279,232

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*See accompanying independent auditors' report and notes to required supplementary information.*

**City of Lauderdale Firefighters Retirement System**  
**Required Supplementary Information**  
**Schedule of Changes in the City's Net Pension Liability (Unaudited) - continued**  
**Last Fiscal Year**

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Total pension liability	\$	78,122,204
Plan fiduciary net position		62,842,972
City's net pension liability	\$	15,279,232

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Plan fiduciary net position as a percentage of the total pension liability	80.44%
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Covered – employee payroll	\$	6,945,643
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City's net pension liability as a percentage of covered – employee payroll	219.98%
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\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Lauderhill Firefighters Retirement System**  
**Required Supplementary Information**  
**Schedule of Contributions by Employer (Unaudited)**  
**Last 10 Fiscal Years**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 4,331,942	\$ 4,369,844	\$ 3,691,300	\$ 3,003,218	\$ 2,952,870
Contributions in relation to the actuarially determined contribution	4,331,942	4,369,844	3,691,300	3,003,218	2,952,870
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll *	\$ 6,945,643	\$ 6,716,257	\$ 6,445,935	\$ 6,018,473	\$ 6,024,458
Contributions as a percentage of covered-employee payroll	62.37%	65.06%	57.27%	49.90%	49.01%
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarially determined contribution	\$ 2,448,774	\$ 2,534,923	\$ 2,320,002	\$ 1,613,426	\$ 1,537,942
Contributions in relation to the actuarially determined contribution	2,448,774	2,534,923	2,320,002	1,613,426	1,537,942
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll *	\$ 6,357,484	\$ 5,943,239	\$ 5,696,122	\$ 4,477,751	\$ 4,910,632
Contributions as a percentage of covered-employee payroll	38.52%	42.65%	40.73%	36.03%	31.32%

\* Includes DROP members

**City of Lauderdale Firefighters Retirement System**  
**Required Supplementary Information**  
**Schedule of Investment Returns (Unaudited)**  
**For the Year Ended September 30, 2014**

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	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	8.83%

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\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Lauderdale Firefighters Retirement System**  
**Required Supplementary Information**  
**Notes to Required Supplementary Information (Unaudited)**  
**Last Ten Fiscal Years**

*Method and assumptions used in calculations of the City's actuarially determined contributions.* The actuarially determined contribution rates in the schedule of the City's contributions are calculated as of October 1. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the City's contributions.

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Amortization period	30 years
Asset valuation method	3-year smoothed market
Inflation	3.00%
Projected salary increases	7%, including inflation
Investment rate of return	8% gross of investment expenses, including inflation
Cost-of-living increases	1.50%

Retirement Age: years of service with 100% choosing to retire or DROP at 25 years of service or upon reaching age 55 with 10 years of service.

Mortality Rates: RP 2000 Combined Mortality Table projected to the valuation year using Scale AA.

Disability Rates: Representative values of the assumed annual rates of disability among members in active service are as follows:

<u>Age</u>	<u>Disability Rates</u>	<u>Age</u>	<u>Disability Rates</u>	<u>Age</u>	<u>Disability Rates</u>
15-21	0.14%	38	0.26%	50	1.00%
22-25	0.15%	39	0.28%	51	1.10%
26-27	0.16%	40	0.30%	52	1.20%
28-29	0.17%	41	0.32%	53	1.31%
30	0.18%	42	0.35%	54	1.43%
31	0.19%	43	0.39%	55	1.55%
32	0.20%	44	0.44%	56	1.68%
33	0.21%	45	0.51%	57	1.81%
34	0.22%	46	0.59%	58	1.95%
35	0.23%	47	0.70%	59	2.09%
36	0.24%	48	0.79%	>=60	0.00%

75% of disabilities are assumed to be in the line of duty.

Employee Withdrawal Rates: Representative values of the assumed annual rates of withdrawal among members in active service are as follows:

<u>Service</u>	<u>Withdrawal Rates</u>						
0-1	3.8%	6	3.0%	11	2.4%	16	1.3%
2	3.7%	7	2.8%	12	2.1%	17	1.1%
3	3.5%	8	2.8%	13	1.8%	18	0.9%
4	3.3%	9	2.7%	14	1.6%	19	0.9%
	3.2%		2.6%		1.4%		0.0%

Marital Assumptions:  
 1. 80% of members are assumed married at retirement.  
 2. Male spouses are assumed to be three years older than female spouses.

## **Other Supplemental Schedules**

**City of Lauderdale Firefighters Retirement System**  
**Other Supplemental Schedules of Investment Expenses and Administrative Expenses**  
**For the Years Ended September 30, 2014 and 2013**

	2014	2013
<b>Schedule "1" - Schedules of Investment Expenses</b>		
Financial management expenses		
Loomis Sayles	\$ 82,460	\$ 88,012
Systematic Financial	58,028	62,854
American Realty Advisors	39,939	43,638
Agincourt	24,896	24,537
State Street Global Advisors	17,191	27,232
Brown Advisory	61,088	69,373
Glovista	12,537	-
Intercontinental	12,732	-
Ceres	57,158	-
Total financial management expenses	<b>366,029</b>	315,646
Investment consultant fees		
Dahab Consultants	23,004	26,144
Investment custodial fees		
Fifth Third Bank	18,472	15,852
Total investment expenses	<b>\$ 407,505</b>	\$ 357,642

<b>Schedule "2" - Schedules of Administrative Expenses</b>		
Professional services		
Legal	\$ 44,610	\$ 62,025
Administrator	41,856	40,103
Actuarial	28,050	39,425
Audit	22,000	16,000
Total professional services	<b>136,516</b>	157,553
Other		
Education	11,963	14,069
Insurance	11,216	10,682
Rent	6,360	6,340
Office expense	1,076	787
Medical	1,086	1,079
Dues	1,100	1,050
Total other	<b>32,801</b>	34,007
Total administrative expenses	<b>\$ 169,317</b>	\$ 191,560



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