

**CITY OF LAUDERHILL CONFIDENTIAL AND
MANAGERIAL EMPLOYEE DEFINED
BENEFIT RETIREMENT PLAN**

A PENSION TRUST FUND OF THE
CITY OF LAUDERHILL, FLORIDA

Financial Statements and
Report of Independent Certified Public Accountants
As of and for the Years Ended September 30, 2014 and 2013



C Borders-Byrd, CPA LLC

Accountants and Consultants

City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan

A Pension Trust Fund of the City of Lauderhill, Florida

Financial Statements and Report of Independent Certified Public Accountants
As of and for the Years Ended September 30, 2014 and 2013

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan

We have audited the accompanying financial statements of the City of Lauderhill Confidential and Managerial Employee Defined Benefit Retirement Plan (the "Plan"), a pension trust fund of the City of Lauderhill, Florida, which comprise the statement of fiduciary net position as of September 30, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Plan 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.

Auditors' Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 financial position of the City of Lauderdale Confidential and Managerial Employee Defined Benefit Retirement Plan as of September 30, 2014, and the changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 8 to the financial statements, in 2014, the Plan adopted the provisions of 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. See the following paragraph.

Adjustments to Prior Period Financial Statements

The financial statements of the City of Lauderdale Confidential and Managerial Employee Defined Benefit Retirement Plan as of September 30, 2013, were audited by other auditors whose report dated February 19, 2014, expressed an unmodified opinion on those financial statements. As discussed in Note 8 to the financial statements, the Plan has adjusted its 2013 financial statements to retrospectively apply the change in accounting for the activities of the Deferred Retirement Option Plan (DROP). The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2014 financial statements, we also audited the adjustments to the 2013 financial statements to retrospectively apply the change in accounting as described in Note 8. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to City of Lauderdale Confidential and Managerial Employee Defined Benefit Retirement Plan's 2013 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis and 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 Matters - Continued

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying supplementary schedules of investment expenses and administrative expenses (other supplementary schedules) as listed in the accompanying table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015, on our consideration of the Plans internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in Plan's internal control over financial reporting and compliance.

C. Borders-Byrd, CPA LLC

Wilton Manors, Florida
February 25, 2015

**City of Lauderdale Confidential and Managerial
Employee Defined Benefit Retirement Plan**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION) - UNAUDITED**

September 30, 2014 and 2013

Our discussion and analysis of the City of Lauderdale Confidential and Managerial Employee Defined Benefit Retirement Plan (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 follows this discussion.

Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal year ended September 30, 2014 and 2013 by \$18,114,404 and \$16,196,307, respectively (reported as net position held restricted for pensions). Net position is held in trust to meet future benefit payments. The increase of \$1,918,097 and \$2,143,222, of the respective years has resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.
- The Plan's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension liability, 63.1% as of the October 1, 2011 valuation to 60.9% as of the October 1, 2012 valuation and 62.6% as of the October 1, 2013 valuation.
- Receivables at September 30, 2014 increased by \$1,239 (or 17.69%) due primarily to an increase in City contributions receivable.
- Receivables at September 30, 2013 decreased by \$153,624 (or 95.64%) due primarily to a decrease in City contributions receivable.
- For the fiscal year ending September 30, 2014, liabilities increased by \$3,716 (or 35.52%) due primarily to an increase in accounts payable.
- For the fiscal year ending September 30, 2013, liabilities decreased by \$8,369 (or 44.44%) due to decline in accounts payable.
- For the fiscal year ending September 30, 2014, City contributions to the Plan increased \$89,594 (or 5.45%) based on the actuarial valuation. Actual City contributions were \$1,733,274 and \$1,643,680 for 2014 and 2013, respectively.
- For the fiscal year ending September 30, 2013, City contributions to the Plan increased \$200,979 (or 13.93%) based on the actuarial valuation. Actual City contributions were \$1,643,680 and \$1,442,701 for 2013 and 2012, respectively.

Financial Highlights - Continued

- For the fiscal year ending September 30, 2014, employee contributions including buybacks increased by \$41,813 (or 11.54%). Actual employee contributions, including buybacks were \$404,147 and \$362,334 for 2014 and 2013, respectively. Employee contributions have fluctuated from year to year, based on salaries and number of active employees.
- For the fiscal year ending September 30, 2013, employee contributions including buybacks decreased by \$80,185 (or 18.12%). Actual employee contributions, including buybacks were \$362,334 and \$442,519 for 2013 and 2012, respectively. Employee contributions have fluctuated from year to year, based on salaries and number of active employees.
- For the fiscal year ending September 30, 2014, net investment income decreased by \$200,773. Actual net results were \$1,036,944 and \$1,178,296 in net appreciation in fair value of investments for 2014 and 2013, respectively, and \$378,417 and \$461,978 income from interest and dividends. Investment expenses decreased by \$24,140 or (42.43%).
- For the fiscal year ending September 30, 2013, net investment income decreased by \$412,864. Actual net results were \$1,178,296 and \$1,682,955 in net appreciation in fair value of investments for 2013 and 2012, respectively, and \$461,978 and \$366,806 income from interest and dividends. Investment expenses increased by \$3,377 or (6.31%).
- For the fiscal year ending September 30, 2014, benefit payments increased by \$169,222 (or 12.55%) and refunds of contributions decreased by \$14,377 (or 100%).
- For the fiscal year ending September 30, 2013, benefit payments increased by \$81,215 (or 6.41%) and refunds of contributions increased by \$6,239 (or 76.67%).
- For the fiscal year ending September 30, 2014, administrative expenses increased \$914 from 2013 (or 1.09%) due primarily to an increase in payments for legal services.
- For the fiscal year ending September 30, 2013, administrative expenses decreased \$3,361 from 2012 (or 3.85%) due primarily to a decrease in payments for actuarial services and conference and education expenses.

Plan Highlights

- For the fiscal year ending September 30, 2014, the total return of the portfolio was 7.5% for the year. Actual net investment income in 2014 was \$1,382,606 compared with net investment income of \$1,583,379 in 2013.
- For the fiscal year ending September 30, 2013, the total return of the portfolio was 11.5% for the year. Actual net investment income in 2013 was \$1,583,379 compared with net investment income of \$1,996,243 in 2012.

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.

The Plan implemented the requirements of GASB 67, *Financial Reporting for Pension Plans- An Amendment of GASB 25* for the fiscal year ended September 30, 2014. The financial statements, notes to the financial statements, and required supplementary information reflect changes as required by this statement.

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 (employees), 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 members (employees) and net investment (loss) income, 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 return.

Additional information is presented as part of *Other Supplementary 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.

Recently Adopted Accounting Pronouncements

The Plan adopted Governmental accounting Standards Board (“GASB”) Statement No. 67, *Financial Reporting for Pensions 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.

Condensed Statements of Fiduciary Net Position

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 294,810	\$ 272,992	\$ 560,836
Receivables	8,241	7,002	160,626
Prepaid expenses	1,947	-	2,596
Investments at fair value	17,823,585	15,926,776	13,347,859
Total assets	<u>18,128,583</u>	16,206,770	14,071,917
Liabilities	14,179	10,463	18,832
Net position restricted for pensions	<u>\$ 18,114,404</u>	<u>\$ 16,196,307</u>	<u>\$ 14,053,085</u>

Condensed Statements of Changes in Fiduciary Net Position

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Additions:			
Contributions:			
City	\$ 1,733,274	\$ 1,643,680	\$ 1,442,701
Employee	404,147	362,334	442,519
Total	2,137,421	2,006,014	1,885,220
Net investment income	1,382,606	1,583,379	1,996,243
Total additions	3,520,027	3,589,393	3,881,463
Deductions:			
Benefits paid	1,517,087	1,347,865	1,266,650
Participants' contributions refunded	-	14,377	8,138
Administrative expenses	84,843	83,929	87,290
Total deductions	1,601,930	1,446,171	1,362,078
Net increase	1,918,097	2,143,222	2,519,385
Net position restricted for pensions at beginning of year (as restated)	16,196,307	14,053,085	11,533,700
Net position restricted for pensions at end of year	\$ 18,114,404	\$ 16,196,307	\$ 14,053,085

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.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At the end of the fiscal year ended September 30, 2014, the domestic equity portion comprised 38.57% (\$6,987,538) of the total portfolio. The allocation to fixed income securities was 30.02% (\$5,438,362), while cash and cash equivalents comprised 1.63% (\$294,810). The portion of investments allocated to international equity was \$3,504,137 (19.34%) and \$400,000 (2.21%) to note receivable. The portion of investment allocated to absolute return portfolio was \$1,439,549 (8.24 %).

At the end of the fiscal year ended September 30, 2013, the domestic equity portion comprised 47.33% (\$7,666,853) of the total portfolio. The allocation to fixed income securities was 27.55% (\$4,462,608), while cash and cash equivalents comprised 1.68% (\$272,992). The portion of investments allocated to international equity was \$1,923,456 (11.8%) and \$400,000 (2.47%) to note receivable. The portion of investment allocated to absolute return portfolio was \$1,473,859 (9.10%).

The target assets allocation was as follows, at September 30, 2014 and 2013:

Domestic equity	45%
Fixed income	30%
International equity	15%
Absolute return	10%

Contacting the Plan's Financial Management

This financial report is designed to provide the Retirement Trustees, 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 City of Lauderhill Confidential and Managerial Employee Defined Benefit Retirement Plan, 3810 Inverrary Blvd., Suite 303, Lauderhill, Florida 33319.

**City of Lauderdale Confidential and Managerial
Employee Defined Benefit Retirement Plan**

STATEMENTS OF FIDUCIARY NET POSITION

September 30,

	2014	2013
Assets:		
Cash and cash equivalents	<u>\$ 294,810</u>	<u>\$ 272,992</u>
Receivables:		
City contributions	1,239	-
Interest and dividends	7,002	7,002
Total receivables	<u>8,241</u>	<u>7,002</u>
Prepaid expenses	<u>1,947</u>	<u>-</u>
Investments at fair value:		
Fixed income mutual funds	5,438,362	4,462,608
Domestic equity funds	6,987,537	7,666,853
International equity funds	3,504,137	1,923,456
Absolute return - mutual funds	1,493,549	1,473,859
Note receivable	400,000	400,000
Total investments	<u>17,823,585</u>	<u>15,926,776</u>
Total assets	<u>18,128,583</u>	<u>16,206,770</u>
Liabilities:		
Accounts payable	14,179	10,221
Prepaid contribution	-	242
Total liabilities	<u>14,179</u>	<u>10,463</u>
Net position restricted for pensions (as restated in 2013)	<u><u>\$ 18,114,404</u></u>	<u><u>\$ 16,196,307</u></u>

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

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Years Ended September 30,

	2014	2013
Additions:		
Contributions:		
City	\$ 1,733,274	\$ 1,643,680
Employee	404,147	362,334
Total contributions	2,137,421	2,006,014
Investment income:		
Net appreciation in fair value of investments	1,036,944	1,178,296
Interest and dividends	378,417	461,978
Total investment income	1,415,361	1,640,274
Less: Investment expenses	32,755	56,895
Net investment income	1,382,606	1,583,379
Total additions	3,520,027	3,589,393
Deductions:		
Pension benefits paid	1,517,087	1,347,865
Participants' contributions refunded	-	14,377
Administrative expenses	84,843	83,929
Total deductions	1,601,930	1,446,171
Net increase	1,918,097	2,143,222
Net position restricted for pensions:		
Beginning of year (as restated in 2013)	16,196,307	14,053,085
End of year	\$ 18,114,404	\$ 16,196,307

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

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 1 - PLAN DESCRIPTION

Organization

City of Lauderhill Confidential and Managerial Employee Defined Benefit Retirement Plan (the "Plan"), a single-employer defined benefit plan established by the City of Lauderhill, Florida (the "City") pursuant to the provisions and requirements of Ordinance No. 020-09-165 (as amended) which passed on October 1, 2002. Since the Plan is solely sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

The Plan's governing board is made up of a five-member Board of Trustees who serves four year terms. Three members of the Board of Trustees are members of the Plan, elected by a majority vote of the active Plan members. The City Commission and City Manager are each responsible for the appointment of one trustee, who must also be a Plan member.

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

Participants

All confidential and/or management employees, including elected officials are eligible to participate in the Plan. Participation in the Plan is mandatory for all confidential and/or management employees, with exceptions of Directors who have a one-time option to participate in the Plan or the City's 401(a) plan.

Membership

As of October 1, membership in the Plan was as follows:

	<u>2013</u>	<u>2012</u>
Inactive plan members or beneficiaries currently receiving benefits	47	47
Inactive plan members entitled to but not yet receiving benefits	5	4
Active plan participants	<u>66</u>	<u>70</u>
	<u>118</u>	<u>121</u>

Pension Benefits

For benefit purposes, the members are divided into the following three tiers:

Tier One members are those members hired prior to March 1, 2009.

Tier Two members are those members hired on or after March 1, 2009 and prior to September 1, 2012.

Tier Three members are those members hired on or after September 1, 2012.

City of Lauderdale Confidential and Managerial
Employee Defined Benefit Retirement Plan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 1 - PLAN DESCRIPTION - Continued

Pension Benefits - Continued

Tier One Members

Normal retirement is the first day of the month coincident with or next following the earlier of the completion of 20 years of credited service, regardless of age or attainment of age 55 with 7 years of credit service. The normal form of retirement benefit is payable as a life annuity.

The normal retirement benefit shall be determined based upon the following percentages of final monthly compensation ("FMC"), the member's average monthly rate of earnable compensation from the City during the highest consecutive sixty months of employment, multiplied by the applicable years and completed months of credited service.

For former general employees' and former defined contribution plan members who became members of the Plan, the monthly retirement income is equal to 3.0% times FMC for credited service through September 30, 2004 plus 3.5% times FMC for credit service thereafter, payable under the normal form of payment under the plan.

Tier Two Members

Normal retirement is the first day of the month coincident with or next following the earlier of the completion of 20 years of credited service, regardless of age or attainment of age 55 with 10 years of credit service. The monthly retirement income is equal to 3.0% of FMC times years of service. The normal form of retirement benefit is payable as a life annuity.

Tier Three Members

Normal retirement is the first day of the month coincident with or next following the date the member completes 25 years of credit service, regardless of age. The monthly retirement income is equal to 2.25% of FMC times years of service. The normal form of retirement benefit is payable as a life annuity.

Early retirement, disability, death benefit and other benefits are also provided.

Cost-of-living Adjustment

The Board of Trustees shall be authorized to pay a non-recurring cost-of-living adjustment to all retired members beginning in the third year after retirement provided the Plan has positive actuarial experience in the preceding fiscal year and the amount of the cost-of-living adjustment does not exceed 3% of the member's annual retirement benefit in any given year.

City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 1 - PLAN DESCRIPTION - Continued

Deferred Retirement Option Plan

On January 10, 2005, the Plan adopted a Deferred Retirement Option Plan (DROP) for participants who are eligible to receive normal retirement. Eligible members may apply to participate by applying to the Board of Trustees.

Upon a member's election to participate in the DROP, that member shall cease to be a member of the Plan and shall be precluded from any additional benefits under the Plan; accordingly, that member shall be considered retired. Monthly retirement benefits that would have been payable had the member retired and elected to receive monthly pension payments will be paid into the DROP and credited to the retired member. Payments into the DROP are made monthly for the period the retired member participates in the DROP, up to a maximum of 60 months. Upon termination of employment, participants in the DROP will receive the balance of their account either in a lump-sum distribution or it may be rolled-over to a qualified retirement plan that accepts the payment.

DROP earnings shall be earned as follows:

For Tier One members, the DROP account shall earn interest at the same rate as the actual investment earnings of the Plan. However, should the investment earnings for the year be negative, the member's account shall not gain or lose interest for that year.

For Tier Two members, their DROP account shall earn interest at the same rate as the actual investment earnings of the Plan.

For Tier Three members, the DROP account shall earn or lose interest at one-half the rate of the actual investment earnings or losses of the Plan. The rate shall not be more than 5%, or less than zero.

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

	<u>2014</u>	<u>2013</u>
Beginning Balance	\$ 269,666	\$ 171,291
Additions	83,660	74,955
Distributions	(133,415)	-
Interest	15,326	23,420
Ending Balance	<u>\$ 235,237</u>	<u>\$ 269,666</u>

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 1 - PLAN DESCRIPTION - Continued

Funding Requirements

Plan members are required to contribute 8% of the member's earnable compensation, annually. If a member terminates employment prior to the completion of seven years of credit services, the member shall be paid all accumulated contributions with interest at the rate of 3% per year. The refund of accumulated contributions will be paid in a single lump sum.

The Plan's funding policy provides for actuarially determined periodic City contributions sufficient to maintain the Plan on a sound actuarial basis and meet the benefits as they become payable.

Investments

The Plan has contracts with investment counselors who supervise and direct the investment of equity and fixed income securities. In addition, the Plan utilizes an investment advisor who monitors the investing activity. The investments owned are held by a custodian in the name of the Plan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenue in the period in which the contributions are due. City contributions are recognized as revenues when due pursuant to actuarial valuations. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest and other income are recorded as earned and dividends are recorded as of the ex-dividend date.

Cash and Cash Equivalents

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

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments are recorded 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 investment: These include common stock. 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, respectively. 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.

Mutual funds: These include fixed income and equity mutual funds. These are valued using their respective net assets value (NAV) as of September 30, 2014 and 2013, respectively. The most significant input into the NAV of such funds is the fair value of the investment holdings.

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 statements of plan net position.

Plan investments in any one organization that represented 5 percent or more of the pension plan's fiduciary net position are as follows:

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.

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax Status

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

Risks 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 employee 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 has adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB Statement No. 63). The adoption of this Statement resulted in a change in the presentation of the Statement of Plan Net Assets to what is now referred to as the Statement of Plan Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

The Plan adopted Governmental Accounting Standards Board ("GASB") Statement No. 67, *Financial Reporting for Pensions 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 2013 amounts reported as liabilities and net position restricted for pensions in accordance with GASB 67. See Note 8.

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 3 – CONTRIBUTIONS

Actual Contributions

The actual contributions from the City of Lauderhill for the fiscal years ended September 30, 2014 and 2013, amounted to \$1,733,274 and \$1,643,680, respectively, and the actual amount of covered payroll was approximately \$4,275,000 and \$3,960,000, respectively.

	2014		2013	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
City contributions	\$ 1,733,274	40.54%	\$ 1,643,680	41.51%

For the fiscal years ended September 30, 2014 and 2013, employee contributions were \$347,365 and \$316,761, respectively and buybacks were \$56,782 and \$45,573, 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 for the years ended September 30, 2014 and 2013, were actuarially determined by the October 1, 2013 and 2012 valuations to be \$1,732,035 and \$1,643,680, respectively. The actuarially computed annual covered payroll used in the October 1, 2013 and 2012 valuations was approximately \$3,967,000 and \$3,566,000, respectively.

The amount covers the following:

	2014		2013	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
Normal cost	\$ 681,321	15.94%	\$ 642,549	18.02%
Amortization of the unfunded liability	1,050,714	24.58%	1,001,131	28.07%
Total required from City	\$ 1,732,035	40.52%	\$ 1,643,680	46.09%

City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 4 - DEPOSIT 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 money market accounts at September 30, 2014 and 2013, respectively.

Investment Authorization

The Plan's investment policy is determined by the Board of Trustees. The policy has been identified by the Board as preserving the purchasing power of the Plan's assets by earning a positive real rate of return (after inflation) over the long-term while minimizing, to a reasonable extent, the short-term volatility of results. 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. Investments in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 70% (at market) of the Plan's total asset value with no more than 5% of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks of foreign companies shall be limited to 10% of the value of the equity portfolio. No more than 20% of the equity securities are to be invested in small-cap stocks and shares of stock in those corporations whose stock has been publicly traded for less than one year are limited to 15% of the equity portfolio. The average credit quality of the fixed income portfolio must be rated "A" or higher by Moodys' or Standard & Poor's rating services. Fixed income securities rated below "BBB" shall not exceed 15% of the entire fixed income portfolio. No more than 5% at cost, of an investment manager's total fixed income portfolio, shall be invested in the securities of any single corporate issuer. For the years ended September 30, 2014 and 2013, the Plan held mutual funds which were not rated by any of three major credit rating agencies. However, on a weighted average, the components making up the funds were within the ratings outlined by the investment policy.

Types of Investments

Florida Statutes and the Plan investment policy authorize the Trustees to invest funds as follows:

Authorized Investments	Target % of Portfolio
Domestic equity securities	45.0%
Fixed income securities	30.0%
International equity securities	15.0%
Absolute Return	10.0%

**City of Lauderdale Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 4 - DEPOSIT AND INVESTMENT RISK DISCLOSURES - Continued

Rate of Return

For the years ended September 30, 2014 and 2013, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expense, was 7.5% and 11.4%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 shows the distribution of the Plan's fixed income securities by maturity at September 30:

Investment Type	Fair Value	2014 Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Fixed income funds	\$ 5,438,362	\$ -	\$ -	\$ 3,832,217	\$ 1,606,145
Total fixed income securities	<u>\$ 5,438,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,832,217</u>	<u>\$ 1,606,145</u>

Investment Type	Fair Value	2013 Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Fixed income funds	\$ 4,462,608	\$ -	\$ -	\$ 4,462,608	\$ -
Total fixed income securities	<u>\$ 4,462,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,462,608</u>	<u>\$ -</u>

Credit Risk

This 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.

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 4 - DEPOSIT AND INVESTMENT RISK DISCLOSURES - Continued

The following table discloses 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
Quality rating of credit risk				
debt securities:				
AAA	\$ 1,267,996	23.32	\$ 2,067,937	46.32
AA	498,182	9.16	169,425	3.80
A	698,334	12.84	516,719	11.58
BBB	1,684,475	30.97	1,135,322	25.45
BB	453,413	8.34	262,144	5.88
B	318,830	5.86	113,041	2.53
Other	517,133	9.51	198,020	4.44
Total fixed income securities	<u>\$ 5,438,363</u>	<u>100.00</u>	<u>\$ 4,462,608</u>	<u>100.00</u>

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, as stated in the Management's Discussion and Analysis. There were no individual investments that represent 5% or more of plan net position at September 30, 2014 and 2013, respectively.

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 a failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name.

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.

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 5 - RELATED PARTY TRANSACTION

As of September 30, 2014 and 2013, the Plan has a note receivable from the City of Lauderhill Housing Authority and the City as guarantor, the Plan Sponsor, for \$400,000. 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 year ended September 30, 2014 and 2013, the Plan recorded interest income of \$28,000 and \$28,000, respectively. Included in interest and dividends receivable is \$7,000 and \$7,000 in accrued interest due on the note at September 30, 2014 and 2013, respectively.

The City of Lauderhill 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 6 – NET PENSION LIABILITY OF THE CITY

The components of the net pension liability of the City to Plan members for benefits provided through the pension plan (net pension liability) at September 30, 2014 were as follows:

	<u>2014</u>
Total pension liability	\$28,408,688
Pension plan's fiduciary net position	(18,114,404)
Total net pension liability	<u>\$10,294,284</u>

Plan fiduciary net position as a percentage of the total pension liability 63.76%

Actuarial Assumptions

The total pension liability at September 30, 2014 was determined using an actuarial valuation as of October 1, 2013, with updated procedures used to roll forward the total pension liability to September 30, 2014. The actuarial valuation used the following actuarial assumptions:

Inflation	3.0%
Projected salary increases	6.00%
Projected COLAs	Variable, non-recurring COLA, if the Plan has positive actuarial experience for the prior fiscal year, not to exceed 3% of the annual benefit of any given year
Investment rate of return	7.31% compounded annually, net of pension plan investment expenses, including inflation.

**City of Lauderdale Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 6 – NET LIABILITY OF THE CITY - Continued

Mortality rates are calculated with the RP-2000 Combined Mortality Table with dynamic rates for assumed future mortality improvements by applying projections with Scale AA to future valuation years. For disabled lives, the RP-2000 Disabled Mortality Table with no future mortality improvement assumed. Twenty-five (25%) of pre-retirement deaths are assumed to be service related.

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 the rates of return for each major asset class included in the Plan's target asset allocation as of the valuation date of October 1, 2013 are summarized in the following table:

Long-Term Expected Rate of Return on Plan Assets

Asset Class	Target Allocation	Expected Long- Term Return
Fixed income mutual funds	30.0%	1.75%
Domestic equity funds	45.0%	5.75%
International equity funds	15.0%	6.00%
Absolute return mutual funds	10.0%	3.00%
Total/Weighted Arithmetic Average	100.0%	4.31%
Assumed Rate of Inflation		3.00%
Expected Nominal Long-Term Rate of Return		7.31%

Discount Rate

The discount rate used to measure the total pension liability for the year ended September 30, 2014 was 7.31 percent. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension 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.

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 6 – NET LIABILITY OF THE CITY - Continued

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 7.31 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.31 percent) or 1-percentage point higher (8.31 percent) than the current rate:

	1% Decrease (6.31%)	Current Discount Rate (7.31%)	1% Decrease (8.31%)
September 30, 2014	\$13,502,295	\$10,294,284	\$7,614,087

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 25, 2015, the date which the financial statements were available for issue.

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 the prior year 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 accumulated 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 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 benefits payments, should be recognized as a pension plan liability only when ultimately due to the plan member."

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 8 – RESTATEMENT OF FINANCIAL STATEMENTS - Continued

As a result the 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 related to the DROP for investment income earned by the DROP account. The cumulative effect of the restatement is as follows:

Statement of Fiduciary Net Position	September 30, 2013
Total liabilities, previously reported	\$ 280,129
Impact of restatement	(269,666)
Total liabilities, as restated	<u>\$ 10,463</u>
Net position restricted for pensions, previously reported	\$ 15,926,641
Impact of restatement	269,666
Total net position restricted for pensions, as restated	<u>\$ 16,196,307</u>

Statement of Changes in Fiduciary Net Position	For the Year Ended September 30, 2013
Total additions, previously reported	\$ 3,565,973
Impact of restatement	23,420
Total additions, as restated	<u>\$ 3,589,393</u>
Total deductions, previously reported	\$ 1,521,126
Impact of restatement	(74,955)
Total deductions, as restated	<u>\$ 1,446,171</u>

Required Supplementary Information

**City of Lauderdale Confidential and Managerial Employee Defined Benefit Retirement Plan
Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios (Unaudited)
Last Fiscal Year**

Total pension liability:	
Service cost	\$ 909,893
Interest	1,986,883
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit Payments, including refunds of member contributions	(1,517,087)
Net change in total pension liability	<u>1,379,689</u>
Total pension liability - beginning	<u>27,028,999</u>
Total pension liability - ending	<u>28,408,688</u>
Plan fiduciary net position:	
Contributions - employer	1,733,274
Contributions - member	404,147
Net investment income	1,382,606
Benefit payments, including refunds of member contributions	(1,517,087)
Administrative expenses	(84,843)
Other	-
Net change in plan fiduciary net position	<u>1,918,097</u>
Plan fiduciary net position - beginning	<u>16,196,307</u>
Plan fiduciary net position - ending	<u>18,114,404</u>
City's Net Pension Liability	<u>\$ 10,294,284</u>
Total pension liability	28,408,688
Plan fiduciary net position	18,114,404
City's Net Pension Liability	<u>\$ 10,294,284</u>
Plan fiduciary net position as a percentage of the total pension liability	63.76%
Covered-Employee Payroll	\$ 4,165,680
City's net pension liability as a percentage of covered-employee payroll	247.12%

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

See accompanying report of independent certified public accountant and notes to required supplementary information.

**City of Lauderhill Confidential and Managerial Employee Defined Benefit Retirement Plan
Required Supplementary Information
Schedule of Contributions by Employer (Unaudited)
Last Fiscal Year**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 1,732,035	\$ 1,643,680	\$ 1,442,701	\$ 1,566,677	\$ 1,464,812	\$ 1,225,500	\$ 1,151,671	\$ 1,009,804
Actual contributions in relation to the actuarially determined contribution	<u>1,733,274</u>	<u>1,643,680</u>	<u>1,442,701</u>	<u>1,566,677</u>	<u>1,464,812</u>	<u>1,225,500</u>	<u>1,151,671</u>	<u>1,009,804</u>
Contribution deficiency (excess)	<u>\$ (1,239)</u>	<u>\$ -</u>						
Covered-employee payroll	\$ 3,967,314	\$ 3,565,534	\$ 3,995,271	\$ 4,414,548	\$ 3,917,402	\$ 3,492,838	\$ 4,520,343	\$ 3,895,689
Contributions as a percentage of covered-employee payroll	43.69%	46.10%	36.11%	35.49%	37.39%	35.09%	25.48%	25.92%

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

City of Lauderhill Confidential and Managerial Employee Defined Benefit Retirement Plan
Required Supplementary Information
Schedule of Investment Returns (Unaudited)
Last Fiscal Year

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual money-weighted rate of return, net of investment expense	7.50%	10.60%	16.00%	-3.60%	8.10%	1.40%	-10.20%	13.60%	6.60%	N/A

The annualized computed return is 5.25%.

See accompanying report of independent certified public accountant and notes to required supplementary information.

**City of Lauderdale Confidential and Managerial
Employee Defined Benefit Retirement Plan**

Required Supplementary Information
Notes to Required Supplementary Information (Unaudited)
Last Fiscal Year

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, 2013. Unless otherwise noted, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the City's contributions.

Mortality

The RP-2000 Combined Mortality Table with dynamic rates for assumed future mortality improvements by applying projections with Scale AA to future valuations years. The following are sample values:

Age as of Current Valuation Date	Assumed Deaths Per 100 Lives					
	50	55	60	65	70	75
Males	0.169	0.282	0.547	1.06	1.825	3.150
Females	0.134	0.245	0.474	0.909	1.569	2.532

For disabled lives, the RP-2000 Disabled Mortality Table with no future mortality improvement assumed.

Interest to be Earned by Plan

7.75%, compounded annually, net of investment expenses.

Allowances for Administrative Expenses

Actual administrative expenses paid during the prior Plan year.

Employee Withdrawal Rates

Withdrawal rates were used in accordance with a table per the following illustrative example:

Age	Withdrawal Rates Per 100 Employees
20	25.0
25	24.0
30	17.0
35	13.2
40	10.2
45	7.2
50	4.2
55	1.2
60 & over	0.0

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

Required Supplementary Information
Notes to Required Supplementary Information (Unaudited)
Last Fiscal Year

Retirement Age Assumption

Tier One members: the earlier of the completion of 20 years of Credited Service or the attainment of age 55 with completion of seven (7) years of Credited Service.

Tier Two members: the earlier of the completion of 20 years of Credited Service or the attainment of age 55 with completion of 10 years of Credited Service.

However, members eligible for immediate normal retirement on the valuation date are assumed to have at least one year of future service.

Salary Increase Factors

Current salaries are assumed to increase at a rate of 6.0% per year until retirement.

Cost-of-Living Adjustments

Variable, non-recurring COLA, if the Plan has positive actuarial experience for the prior fiscal year, not to exceed 3% of the annual benefit of any given year.

Disability Rates

Disability incidence rates were used in accordance with a table per the following illustrative example:

<u>Age</u>	<u>Disability Rates Per 100 Employees</u>
20	0.07
25	0.09
30	0.11
35	0.14
40	0.19
45	0.30
50	0.51
55	0.96
60	1.66
65 & over	0.00

(25% of disabilities assumed to be service incurred, 75% assumed to be non-service incurred.)

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

Required Supplementary Information
Notes to Required Supplementary Information (Unaudited)
Last Fiscal Year

Asset Valuation Method

The actuarial value of assets is determined by smoothing the differences between actual investment earnings and assumed investment return over five (5) years. This method was adopted effective October 1, 2008 with no phase in. The resulting value would then be limited to between 80% and 120% of market value.

Actuarial Cost Method

Normal Retirement, Termination, Disability and Pre-Retirement Death Benefits: Entry-Age Actuarial Cost Method.

Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his date of hire to his retirement age to fund his estimated benefits, assuming the plan had always been in effect. The normal cost for the plan is the sum of the individual normal costs for all active participants. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the plan is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the actuarial value of assets of the plan.

The amortization bases would be funded by the excess of actual contributions over prior year's normal cost, adjusted with interest. For each existing base, the funding is done proportionally, determined based on the individual base's required amortization payment as a percentage of the overall total required total amortization payment for the prior year. New bases are then added to the total outstanding unfunded actuarial accrued liability as new layers.

Marriage Assumptions

100% of active participants were assumed married, with husbands three (3) years older than wives.

Inflation Assumption

3.5% per year.

Changes from Last Actuarial Valuation:

None.

Other Supplementary Information

**City of Lauderhill Confidential and Managerial
Employee Defined Benefit Retirement Plan**

**SCHEDULES OF INVESTMENT EXPENSES AND
ADMINISTRATIVE EXPENSES**

For the Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Schedule "1"		
Schedule of Investment Expenses		
Financial management expenses:		
ICC capital	\$ -	\$ 28,341
Total financial management expenses		28,341
Investment consultant fees:		
Southeastern Advisory Services, Inc.	26,007	22,376
Investment custodial fees:		
Fifth Third Bank	6,748	6,178
Total investment expenses	<u>\$ 32,755</u>	<u>\$ 56,895</u>

	<u>2014</u>	<u>2013</u>
Schedule "2"		
Schedule of Administrative Expenses		
Professional services:		
Accounting	\$ 12,800	\$ 14,000
Actuarial	21,880	20,920
Administration fee	18,000	15,500
Legal	18,904	15,433
Total professional services	<u>71,584</u>	<u>65,853</u>
Other:		
Conferences and education	-	13,857
Dues and subscriptions	600	600
Insurance	3,770	3,575
Miscellaneous	8,889	44
Total other	<u>13,259</u>	<u>18,076</u>
Total administrative expenses	<u>\$ 84,843</u>	<u>\$ 83,929</u>