

**CITY OF LAUDERHILL
FIREFIGHTERS'
RETIREMENT SYSTEM**



FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

**CITY OF LAUDERHILL
FIREFIGHTERS'
RETIREMENT SYSTEM**

YEAR ENDED SEPTEMBER 30, 2018

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
City of Lauderhill Firefighters' Retirement System

We have audited the accompanying financial statements of the City of Lauderhill Firefighters' Retirement System, which comprise the statement of fiduciary net position as of September 30, 2018, and the related statement of changes in fiduciary net position for the year 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 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 Plan'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 Plan'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, 2018, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Prior Year Comparative Information

The financial statements of the City of Lauderhill Firefighters' Retirement System as of and for the year ended September 30, 2017, were audited by other auditors whose report dated February 28, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 25-28 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of investment and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2019, on our consideration of the City of Lauderhill Firefighters' Retirement System's 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 solely 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 the effectiveness of the City of Lauderhill Firefighters' Retirement System's 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 considering the City of Lauderhill Firefighters' Retirement System's internal control over financial reporting and compliance.

KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & Co.

Weston, Florida
February 12, 2019

CITY OF LAUDERHILL

FIREFIGHTERS' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents Management Discussion and Analysis (MD&A) of the City of Lauderdale Firefighters' Retirement System's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2018. Please read it in conjunction with the Plan's financial statements, which immediately follow.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: the MD&A, the basic financial statements, notes to the financial statements and supplementary information.

The financial statements provide both long-term and short-term information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the statement of changes in fiduciary net position. All assets and liabilities associated with the operation of the Plan are included in the statement of fiduciary net position.

The statement of fiduciary net position reports fiduciary net position and how it has changed. A net asset is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan.

Financial Highlights

The Plan's net results from operations for fiscal year 2018 reflected the following financial activities:

- Total net position restricted for pensions was \$86,028,658, which was 9% greater than 2017 net position.
- Total contributions for the year were \$5,031,555, which was 1% greater than the 2017 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Employee contributions are 13.72% of earnings.
- Total interest and dividend income was \$1,409,738, which was 62% greater than the 2017 income.
- Net investment income was \$7,248,373, which was 19% lower than the 2017 income.
- Defined benefits paid were \$4,036,124, which 6% greater than the defined benefits paid during 2017.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Fiduciary Net Position

The following condensed comparative statement of fiduciary net position is a snap shot of account balances at the fiscal year end of the Plan. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for Plan benefits.

The Plan continues to be evaluated for actuarial soundness by the actuary of the Plan. It should be noted that retirement system funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Net position restricted for pensions at September 30, 2018 was \$86,028,658, which was 9% higher than the net position as of September 30, 2017.
- Total investments at fair value at September 30, 2018 were \$84,961,300, which was 10% higher than the balance of the investments as of September 30, 2017.

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

	2018	2017	% Change
Receivables	\$ 228,661	\$ 836,346	(73%)
Investments, at fair value	84,961,300	77,311,253	10%
Note receivable	1,000,000	1,000,000	0%
Total assets	86,189,961	79,147,599	9%
Accounts payable	94,024	80,916	16%
Accounts payable - purchase of investments	67,279	271,816	(75%)
Prepaid contribution	-	4,168	(100%)
Total liabilities	161,303	356,900	(55%)
Net position restricted for pensions	\$ 86,028,658	\$ 78,790,699	9%

Statement of Changes in Fiduciary Net Position

The statement of changes in fiduciary net position presents the effect of Plan transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the Plan equal net increase or decrease in fiduciary net position.

The funding objective is to meet long-term obligations and fund all Plan benefits.

- Revenues (additions to the fiduciary net position) for the Plan were \$12,357,002, which was comprised of total contributions of \$5,031,555, plus net investment income of \$7,248,373, note receivable income of \$71,750, and other income of \$5,324.
- Expenses (deductions from the fiduciary net position) increased from \$4,768,670 during 2017, to \$5,119,043 in 2018.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position (Continued)

The table below presents a condensed comparative of the changes in fiduciary net position for the year ended September 30:

	2018	2017	% Change
Total contributions	\$ 5,031,555	\$ 4,982,039	1%
Net investment income	7,248,373	8,908,693	(19%)
Other income	5,324	1,919	177%
Note receivable income	71,750	70,000	3%
Total additions	12,357,002	13,962,651	(11%)
Total deductions	5,119,043	4,768,670	7%
Net increase	7,237,959	9,193,981	(21%)
Net position restricted for pensions – beginning	78,790,699	69,596,718	13%
Net position restricted for pensions – ending	\$ 86,028,658	\$ 78,790,699	9%

Asset Allocation

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2018:

Type of Investment	Investment Policy	Actual Allocation
Domestic equity	35%-65%	57%
International equity	0%-20%	11%
Fixed income	10%-30%	15%
Real assets	0%-20%	16%
Cash equivalents	Minimal	1%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

The Board of Trustees (the Board) recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's financial condition enables the Board to adopt long-term investment perspective.

Investment Activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended effective January, 2018. The Board and its investment consultant review portfolio performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis Summary

The investment activities, for the fiscal year ended September 30, 2018 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's Financial Management

This financial analysis is designed to provide the Board, plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the Plan:

City of Lauderhill Firefighters' Retirement System
c/o Barbara White, Pension Plan Administrator
126 Cheffey Road
Palatka, FL 321

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
RECEIVABLES:		
Employer contributions	\$ 65,121	\$ -
State contributions	-	394,437
Accrued investment income	118,719	119,413
Note receivable interest	17,500	35,000
Accounts receivable - sale of investments	27,321	287,496
TOTAL RECEIVABLES	<u>228,661</u>	<u>836,346</u>
INVESTMENTS, AT FAIR VALUE:		
Money market funds	2,200,170	2,178,381
Equity securities	35,553,350	31,174,170
U.S. Government securities	5,132,150	4,416,722
Corporate bonds	7,881,465	8,624,545
Commingled equity funds	19,628,033	17,312,998
Collective trust fund	1,435,569	1,462,603
Real estate funds	11,098,389	10,184,854
Farmland investment fund	2,032,174	1,956,980
TOTAL INVESTMENTS, AT FAIR VALUE	<u>84,961,300</u>	<u>77,311,253</u>
NOTE RECEIVABLE	<u>1,000,000</u>	<u>1,000,000</u>
TOTAL ASSETS	<u>86,189,961</u>	<u>79,147,599</u>
LIABILITIES		
ACCOUNTS PAYABLE	94,024	80,916
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	67,279	271,816
PREPAID CITY CONTRIBUTION	-	4,168
TOTAL LIABILITIES	<u>161,303</u>	<u>356,900</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR PENSIONS:		
Net position restricted for defined benefits	84,993,868	77,639,400
Net position restricted for Supplemental Plan benefits	571,401	527,702
Net position restricted for DROP benefits	463,389	623,597
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 86,028,658</u>	<u>\$ 78,790,699</u>

**CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
ADDITIONS:		
Contributions:		
Employer	\$ 3,586,180	\$ 3,521,811
Participants	1,072,585	1,065,791
State - Chapter 175	<u>372,790</u>	<u>394,437</u>
Total contributions	<u>5,031,555</u>	<u>4,982,039</u>
Investment income:		
Net appreciation in fair value of investments	6,300,816	8,474,746
Interest and dividend income	<u>1,409,738</u>	<u>868,501</u>
Total investment income	7,710,554	9,343,247
Less: investment expenses	<u>462,181</u>	<u>434,554</u>
Net investment income	<u>7,248,373</u>	<u>8,908,693</u>
Other income	5,324	1,919
Notes receivable income	<u>71,750</u>	<u>70,000</u>
TOTAL ADDITIONS	<u>12,357,002</u>	<u>13,962,651</u>
DEDUCTIONS:		
Benefit payments	4,036,124	3,802,111
DROP distributions	524,228	442,154
Supplemental plan distributions	234,249	268,392
Refund of contributions	107,919	35,787
Administrative expenses	<u>216,523</u>	<u>220,226</u>
TOTAL DEDUCTIONS	<u>5,119,043</u>	<u>4,768,670</u>
NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS	7,237,959	9,193,981
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>78,790,699</u>	<u>69,596,718</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u>\$ 86,028,658</u>	<u>\$ 78,790,699</u>

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

Investments are reported at fair value (see Note 3). 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 (see Note 4 for discussion of fair value measurements).

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation in fair value of investments includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Comparative Information

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail in the notes to financial statements to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the year ended September 30, 2017, from which the information was derived. Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the City of Lauderhill Firefighters' Retirement System (the Plan) provides only general information. Participants should refer to the City of Lauderhill, Florida's (the City) ordinance for more complete information.

General

The Plan is a single-employer defined benefit pension plan covering all full-time firefighters of the City of Lauderhill, Florida who fulfilled the prescribed eligibility requirements. The Plan was established by the City in accordance with the City ordinance and state statutes. 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 reporting entity.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

General (Continued)

Management and administration of the Plan is vested in the Board, which consists of five members. Two citizens, who are legal residents or current employees of the City, appointed by the city commission; two full-time firefighters elected by the majority of the active firefighters who are participants of the Plan, and a fifth member chosen by majority of the previous four members and such person's name shall be submitted to the city commission. Upon receipt of that person's name, the city commission shall, as a ministerial duty, appoint such person to the board of trustees as its fifth member. At September 30, 2018, Plan participation consisted of the following:

Inactive Plan participants or beneficiaries	
currently receiving benefits	74
Active Plan participants	81
DROP participants	4
Inactive non-retired members	<u>2</u>
Total	<u><u>161</u></u>

Eligibility

Any person employed full time in the fire department of the City, who is certified as a firefighter as a condition of employment in accordance of the provisions of Florida Statutes, Section 633.35. All firefighters hired by the City of Lauderhill after June 14, 1982, are required to participate in this pension plan. Participants hired prior to October 1, 2009 are considered "tier one" and participants hired on and after October 1, 2009 are considered "tier two."

Vesting

Benefits are fully vested after 10 years of service.

Benefits

The Plan provides for three types of retirement: normal service retirement, early and delayed retirement, and disability benefits.

Normal retirement benefits

Participants are eligible for normal retirement benefits on the first business day of the month coincident with or next following the date upon which the participant attains the age of 55 with at least 10 years of service, or completion of 20 years of service, whichever comes first.

CITY OF LAUDERHILL

FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

Normal retirement benefits (Continued)

- *Tier One Participants*

Upon normal retirement, tier-one participants 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 are computed based on the highest consecutive 3 years out of the last 10 years of employment.

- *Tier Two Participants*

The tier two normal retirement benefit is calculated using a 3% multiplier for all service, with a maximum normal retirement benefit of 75% of average final compensation. Tier two participants may increase their pension multiplier to 3.5% provided that all costs associated with the increase (or its actuarially equivalent cost) are borne solely by the participant as determined by the Plan actuary. The cap of 75% of average final compensation is inapplicable for tier two participants who purchase an enhanced multiplier; however, a participant's total benefit shall never exceed 100% of average final compensation. Average final compensation for tier two participants who retire with less than 25 years of service is one-twelfth of the average of annual earnings for the highest consecutive 4 years of the 10 full years immediately preceding the actual retirement or termination. Average final compensation for tier two participants who retire with 25 or more years of service is one-twelfth of the average of annual earnings for the highest consecutive 3 years of the 10 full years immediately preceding the actual retirement or termination.

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%.

Early retirement – Participants can take early retirement upon attaining age 50 with 10 or more years of credited service. The amount of early retirement income is the monthly accrued benefit earned the early retirement date, reduced by 3% per year for commencement prior to normal retirement date.

Disability retirement – Participants become eligible for disability retirement if, prior to the normal retirement date, the participant becomes totally and permanently disabled as a result of injuries, illness or disease which incapacitates the participant physically or mentally from serving as a firefighter. Participants become eligible to service-incurred disability benefits immediately upon entering the Plan while they become eligible for non-service disability upon earning 2 years of service. The monthly benefit will equal the greater of the accrued benefits at the time of disability or fifty percent of the rate of monthly earnings in effect at the time of disability. Disability benefits are granted only upon approval by the Board and such disability is substantiated medically.

CITY OF LAUDERHILL

FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

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

Cost-of-Living Adjustment (COLA) benefits – For Tier One participants, effective October 1, 2006, a 1.5% annual COLA is payable after 3 years of retirement. Tier two participants' monthly retirement benefits are increased annually after 3 years of retirement by the net investment return of the Plan. However, the Tier Two COLA is not less than 0% and not more than 1.5% annually. Following the death of the retiree, the COLA is paid to each designated beneficiary.

Deferred Retirement Option Plan (DROP) – The deferred retirement option plan offers active participants an opportunity prior to retirement, to keep working and accumulate pension benefits at the same time. Upon entering the DROP, the participant's monthly retirement benefit is frozen, and their monthly benefit, including any COLA or variable benefits, is paid into their DROP account. Also, participant's contribution cease upon entering the DROP. Upon termination of employment, the balance in the participant's DROP account, including investment earnings, may either be paid in a lump sum, or rolled-over to an eligible retirement account.

- *Tier One Participants*

Tier One participants may enter into the DROP on the first day of the month following the participant's completion of 20 years of credited service or upon earning an eighty percent pension benefit. DROP participation shall be for a maximum of 5 years. The number of months an employee may participate in the DROP shall be reduced by 1 month for each month of eligibility following the completion of 20 years of credited service or following the participant's reaching an eighty percent pension benefit during which the employee does not participate in the DROP. The DROP account earns a variable return equal to the Plan's quarterly rate of return less an adjustment for administrative expenses. Alternatively, Tier One participants have the option to elect their DROP account to be paid a fixed rate as determined by the Board each year.

- *Tier Two Participants*

Tier Two participants may enter into the DROP on the first day of the month following the participant's completion of 25 years of credited service. DROP participation shall be for a maximum of 5 years. The number of months an employee may participate in the DROP shall be reduced by 1 month for each month of eligibility following the completion of 25 years of credited service during which the employee does not participate in the DROP. The DROP account earns a variable return equal to the Plan's quarterly rate of return less an adjustment for administrative expenses. However, should the actual rate of return for a quarter be negative, the DROP balance will not decrease as account earnings for Tier Two members shall never be less than zero.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

Deferred Retirement Option Plan (DROP) (continued)

A summary of the changes in DROP balance for the year ended September 30, 2018 is as follows:

Beginning balance	\$ 623,597
Contributions	333,768
Earnings (net of expenses)	30,252
Distributions	<u>(524,228)</u>
Ending balance	<u><u>\$ 463,389</u></u>

Supplemental benefit – In addition to the monthly pension benefit, effective October 1, 2000, all firefighter retirees and firefighter-designated beneficiaries receiving benefits on October 1, 2003 or thereafter, may be eligible for an annual supplemental benefit. Such supplemental benefit shall be seventy-five percent of the Plan's prior year's actuarial gain remaining after the payment of variable benefits provided via a COLA and fifty percent of the annual Chapter 175 premium tax revenues received by the City.

The supplemental benefit is to be paid in equal monthly installments, effective October 1. The benefit will be paid to the beneficiaries of eligible retirees who retired on or after October 1, 2000, upon the retiree's death, but only if the retiree had retired or had been eligible to retire as of September 30, 2016. For all others who retire on or after October 1, 2016, and who were not eligible to retire until on or after October 1, 2016, the supplemental benefit terminates upon death. All funds not distributed to retirees remain in the supplemental retirement benefit account to be used for additional future benefits to retirees and their designated beneficiaries. The balance of the supplemental benefits account as of September 30, 2018 was determined by the actuary to be \$571,401.

Funding

Participant Contributions - The Plan provides for participant employee contributions of 13.72% of earnable compensation, which excludes overtime, bonuses and other non-regular payments. The City will withdraw the contribution from pay prior to taxes.

State Contributions - Pursuant to Chapters 175 of the Florida Statutes, a premium tax on certain casualty insurance contracts written within the City of Lauderhill is collected by the State and remitted to the City for firefighter retirement systems.

City Contributions - The City shall contribute an amount that, together with the amount received from the State, will be sufficient to pay the normal cost and the amount required to fund over such a period of time as provided for in state law any actuarial deficiency shown by the most recent actuarial valuation.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Rate of Return

For the year ended September 30, 2018, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 9.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3. INVESTMENTS

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The investment policy statement was last amended on November 15, 2017 with revisions adopted January 2018. The following was the Board's adopted asset allocation policy as of September 30, 2018:

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equity	35%-65%
International equity	0%-20%
Fixed income	10%-30%
Real assets	0%-20%
Cash equivalents	Minimal

During the year ended September 30, 2018 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$6,300,816 (reported as net appreciation in fair value of investments in the accompanying statement of changes in fiduciary net position) as follows:

Common stocks	\$3,874,843
U.S. government securities	(253,667)
Corporate bonds	(348,294)
Mutual funds	2,424,379
MLPs	28,612
REITs	(27,033)
Farmland funds	51,189
Real estate	<u>550,787</u>
Total	<u>\$6,300,816</u>

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
(Continued)

NOTE 3. INVESTMENTS (Continued)

The Plan's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan's investments in fixed-income securities had maturities as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Corporate bonds	\$ 7,881,465	\$ -	\$ 3,021,291	\$ 3,045,754	\$ 1,814,420
U.S. agency securities	4,127,012	-	7,591	85,890	4,033,531
U.S. treasury securities	<u>1,005,138</u>	<u>-</u>	<u>53,896</u>	<u>178,893</u>	<u>772,349</u>
Totals	<u>\$ 13,013,615</u>	<u>\$ -</u>	<u>\$ 3,082,778</u>	<u>\$ 3,310,537</u>	<u>\$ 6,620,300</u>

The fixed-income portfolio shall have a minimum rating of investment grade as reported by a major crediting service. At September 30, 2018, the Plan's fixed income assets were rated as follows:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 212,996
AA	459,259
A	2,585,066
BBB	4,327,880
N/R U.S. govt. securities	<u>5,428,414</u>
	<u>\$ 13,013,615</u>

"Credit risk" is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

"Custodial credit 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 held by the counterparty. The Plan's policy is to maintain its investments in custodial accounts that identify securities held as assets of the Plan by registering securities in the name of the Plan, or in street name or nominee name as the Plan's agent.

"Concentration of credit risk" - The Plan limits investment in the securities of any one issuer, other than the U.S. government and its agencies, to no more than 5% of the Plan's assets at cost and 5% of the outstanding capital stock of that company. Furthermore, investments in equities shall not exceed 70% of the Plan's assets at market value. For fixed income securities, not more than 5% of the Plan's fixed income portfolio at cost shall be invested in the securities of any single corporate issuer.

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives mainly from its investments in international equity funds.

The investment policy limits the foreign equity investments not exceed 20% of the Plan's investments at market value. As of year-end, the foreign investments were 11% of total investments.

CITY OF LAUDERHILL

FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS

Fair value is defined as 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 Plan categorizes its fair value measurements within the fair value hierarchy as established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market as follows:

Level 1- Inputs to the valuation methodology are based upon quoted prices for identical assets in active markets.

Level 2- Inputs to the valuation methodology are based upon observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3- Inputs to the valuation methodology are based upon unobservable inputs.

Following is a description of the valuation methodologies used for asset measured at fair value.

Common stocks and REITs: Valued at the closing price reported on the New York Stock Exchange.

Mutual funds: Valued at the daily closing price as reported by the Plan. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yield of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote, if available.

Real estate: Valued at the net asset value of shares held by the Plan at year end. The Plan has investments in a private market real estate for which no liquid public market exists.

Farmland funds: Valued at the net asset value of shares held by the Plan at year end.

Money market funds: Valued at the floating net asset value of shares held by the Plan at the end of the year.

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2018:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$31,621,726	\$ 31,621,726	\$ -	\$ -
REIT	865,472	865,472	-	-
Equity mutual funds	<u>3,066,152</u>	<u>3,066,152</u>	-	-
Total equity securities	<u>35,553,350</u>	<u>35,553,350</u>	-	-
Debt securities:				
U.S. treasury securities	1,005,138	232,789	772,349	-
U.S. agency securities	4,127,012	-	4,127,012	-
Corporate bonds	<u>7,881,465</u>	-	<u>7,881,465</u>	-
Total debt securities	<u>13,013,615</u>	<u>232,789</u>	<u>12,780,826</u>	-
Total investments by fair value level	<u>48,566,965</u>	<u>\$ 35,786,139</u>	<u>\$ 12,780,826</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV) ^(a)				
Commingled equity funds	19,628,033			
Collective trust fund	1,435,569			
Real estate funds	11,098,389			
Farmland investment fund	<u>2,032,174</u>			
Total investments measured at the NAV	<u>34,194,165</u>			
Money market funds (exempt)	<u>2,200,170</u>			
Total investments	<u>\$84,961,300</u>			

^(a) As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the statement of fiduciary net position.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions:

<u>Investments Measured at the NAV</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Commingled equity funds ⁽¹⁾	\$ 19,628,033	\$ -	Daily	Same day
Collective trust fund ⁽²⁾	1,435,569	-	Daily	5 business days
Real estate fund ⁽³⁾	4,876,197	-	Quarterly	10 days
Real estate fund ⁽⁴⁾	6,222,192	-	Quarterly	90 days
Farmland investment fund ⁽⁵⁾	2,032,174	-	Yearly	5 months
Total investments measured at the NAV	<u>\$ 34,194,165</u>	<u>\$ -</u>		

⁽¹⁾ Commingled equity funds: This commingled investment consists of participation in three equity mutual funds. The investment is valued at NAV based on the participant's share of the total fund. Redemption requests are permitted daily.

⁽²⁾ Collective trust fund: The comingled investment fund seeks to achieve long-term capital appreciation through investments in emerging market equity securities. The investment is valued at NAV based upon the fair value of the underlying investments. The redemption frequency is daily, and the Trustee may require notification to be done in writing 5 business days before redemptions.

⁽³⁾ Real estate fund: The fund is an open-end diversified core real estate commingled fund that invests primarily in core institutional office, retail, industrial, and multi-family properties located throughout the United States. The investment is valued at NAV and its redemptions must be received by the fund 10 days prior to quarter end.

⁽⁴⁾ Real estate fund: This fund is an open-end comingled real estate fund that invests in a pool of real estate assets that are diversified by geography and property type, with a focus of yield-driven investments and, to a lesser extent, on value-added investments. The investment is valued at NAV and redemption requests must be received by the fund 90 days prior to quarter end.

⁽⁵⁾ Farmland investment fund: This fund is an open-ended comingled investment fund that identifies, acquires and manages productive agricultural land in the Midwestern United States. The investment is valued at NAV and written notice must be provided for redemption 5 months prior to the redemption date, which is the last day of February. Additionally, no redemption notice may be filed until the member's capital has been invested in the farmland fund for twelve months.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
(Continued)

NOTE 5. RISKS AND UNCERTAINTIES

The Plan invests in various securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position available for benefits.

Plan contributions are made and the actuarial present value of accumulated Plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE 6. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the Plan at September 30, 2018 were as follows:

Total pension liability	\$100,798,915
Plan fiduciary net position	<u>86,028,658</u>
Town's net pension liability	<u>\$ 14,770,257</u>
Plan fiduciary net position as a percentage of the total pension liability	85.35%

The total pension liability was determined by an actuarial valuation as of October 1, 2018, with a measurement date of September 30, 2018, using certain actuarial assumptions, the most significant of which were inflation of 3.0%, projected salary increases of 4.11 % to 8.25% graded by service, and investment rate of return of 7.30% net of investment expense and including inflation.

Mortality rates were used from the July 1, 2016, 2017, and 2018 FRS special risk valuation:

Healthy Pre-Retirement:

Males: 10% RP-00 Combined Healthy White Collar + 90% RP-00 Combined Healthy Blue Collar.

Females: 100% RP-00 Combined Healthy White Collar.

Both male and female rates fully generational using Scale BB.

Healthy Post-Retirement:

Males: 10% RP-00 Annuitant White Collar + 90% RP-00 Annuitant Blue Collar.

Females: 100% RP-00 Annuitant White Collar.

Both male and female rates fully generational using Scale BB.

Disabled mortality:

Males: 60% RP-00 Disabled Retiree Set Back 4 Years + 40% RP-00 Annuitant White Collar. Females: 60% RP-00 Disabled Retiree Set Forward 2 Years + 40% RP-00 Annuitant White Collar. No mortality improvement is assumed for disabled lives.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
(Continued)

NOTE 6. NET PENSION LIABILITY OF THE PLAN (Continued)

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation, as provided by the Plan's investment monitor, as of September 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap	35.0%	5.73%
Mid cap	7.5%	8.56%
Small cap	7.5%	7.59%
International	10.0%	3.81%
Emerging markets	5.0%	10.30%
Real assets	12.0%	6.35%
Farmland	3.0%	9.60%
Fixed income	<u>20.0%</u>	1.55%
	<u>100.0%</u>	

A single discount rate of 7.30% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on Plan investments of 7.30%. The projection of cash flows used to determine this single discount rate assumed that Plan participant contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the participant rate.

Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan participants. Therefore, the long-term expected rate of return on Plan investments (7.30%) was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension liability of the City was calculated using the discount rate of 7.30%. It was also calculated using a discount rate that was 1-percentage-point lower (6.30%) and 1-percentage-point higher (8.30%) and the different computations were compared.

	1% decrease	Current discount rate	1% increase
	<u>(6.30%)</u>	<u>(7.30%)</u>	<u>(8.30%)</u>
Net pension liability	\$28,190,236	\$14,770,257	\$3,810,140

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

NOTE 7. COMMITMENTS

The Plan is obligated for payments under a 1 year operating lease for office space that expires February 28, 2019. The lease requires a monthly rent of \$530. Rent expense was \$6,360 for the fiscal year ended September 30, 2018.

NOTE 8. RELATED PARTIES

As of September 30, 2018, the Plan had a note receivable for \$1,000,000 from the City of Lauderhill Housing Authority. The City of Lauderhill, the Plan Sponsor, is guarantor on the note. 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 year ended September 30, 2018, the Plan recorded interest income of \$71,750, which included fees charged for the late payment of quarterly payments from 2017. As of September 30, 2018, the Plan had \$17,500 accrued interest receivable on this note.

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

NOTE 9. INCOME TAXES

The Plan is exempt from federal income taxes under the Internal Revenue Code 401(a), and therefore, no provision for income taxes has been made. Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Plan through February 12, 2019, the date the financial statements were available to be issued.

**CITY OF LAUDERHILL
FIREFIGHTERS'
RETIREMENT SYSTEM**

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
INVESTMENT EXPENSES:		
Financial management fees	\$ 410,844	\$ 387,735
Performance monitoring fees	41,670	38,105
Custodial fee	<u>9,667</u>	<u>8,714</u>
TOTAL INVESTMENT EXPENSES	<u>\$ 462,181</u>	<u>\$ 434,554</u>
ADMINISTRATIVE EXPENSES:		
Audit	\$ 19,000	\$ 17,323
Actuarial	41,300	33,900
Administrative fees	52,382	52,194
Trustee conferences	15,997	19,851
Insurance	11,626	11,626
Legal	64,337	75,755
Miscellaneous	<u>11,881</u>	<u>9,577</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 216,523</u>	<u>\$ 220,226</u>

The accompanying independent auditor's report should be read with this supplementary schedule.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 3,772,575	\$ 3,716,888	\$ 3,985,678	\$ 4,231,795	\$ 4,331,942
Actual employer contribution	<u>3,772,575</u>	<u>3,719,029</u>	<u>3,989,982</u>	<u>4,231,795</u>	<u>4,331,942</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (2,141)</u>	<u>\$ (4,304)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 7,634,463</u>	<u>\$ 7,651,439</u>	<u>\$ 7,136,191</u>	<u>\$ 6,884,383</u>	<u>\$ 6,945,643</u>
Actual contributions as a percentage of covered-employee payroll	49.4%	48.6%	55.9%	61.5%	62.4%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined employer contribution	\$ 4,369,844	\$ 3,691,300	\$ 3,003,218	\$ 2,952,870	\$ 2,448,774
Actual employer contribution	<u>4,369,844</u>	<u>3,691,300</u>	<u>3,003,218</u>	<u>2,952,870</u>	<u>2,448,774</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 6,716,257</u>	<u>\$ 6,445,935</u>	<u>\$ 6,018,473</u>	<u>\$ 6,024,458</u>	<u>\$ 6,357,484</u>
Actual contributions as a percentage of covered-employee payroll	65.1%	57.3%	49.9%	49.0%	38.5%

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	25 years effective October 1, 2016. Prior to this change, a 30 year period was used.
Asset valuation method	3-year smoothed market
Inflation	3.0%
Salary increases	7%, including inflation
Investment rate of return	Effective with the October 1, 2016, the investment return is 7.85%, net of investment expenses, including inflation. Prior to the change, the change was 8% gross of investment expense, including inflation.
Mortality	<p><u>Healthy Pre-Retirement:</u> Males: 10% RP-00 Combined Healthy White Collar + 90% RP-00 Combined Healthy Blue Collar. Females: 100% RP-00 Combined Healthy White Collar. Both male and female rates fully generational using Scale BB.</p> <p><u>Healthy Post-Retirement:</u> Males: 10% RP-00 Annuitant White Collar + 90% RP-00 Annuitant Blue Collar. Females: 100% RP-00 Annuitant White Collar. Both male and female rates fully generational using Scale BB.</p> <p><u>Disabled mortality:</u> Males: 60% RP-00 Disabled Retiree Set Back 4 Years + 40% RP-00 Annuitant White Collar. Females: 60% RP-00 Disabled Retiree Set Forward 2 Years + 40% RP-00 Annuitant White Collar. No mortality improvement is assumed for disabled lives.</p>

The accompanying independent auditor's report should be read with this supplementary schedule.

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

Year ended <u>September 30,</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2018	9.31%
2017	12.89%
2016	10.02%
2015	(0.66%)
2014	8.83%
2013	15.70%
2012	20.21%
2011	(1.51%)
2012	9.66%
2013	(4.16%)

The accompanying independent auditor's report should be read with this supplementary schedule.

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
(UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
TOTAL PENSION LIABILITY:			
Service cost	\$ 2,756,657	\$ 2,619,073	\$ 2,527,101
Interest	7,212,219	6,818,819	6,519,385
Changes in benefit terms	324,964	268,422	338,414
Difference between actual and expected experience	(1,803,585)	(326,449)	(749,900)
Assumption changes	4,732,870	224,755	1,946,542
Benefit payments	(4,794,601)	(4,512,657)	(5,500,238)
Contribution refunds	(107,919)	(35,787)	(52,793)
Other	<u>(47,435)</u>	<u>(71,203)</u>	<u>(114,118)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	8,273,170	4,984,973	4,914,393
TOTAL PENSION LIABILITY - BEGINNING	<u>92,525,745</u>	<u>87,540,772</u>	<u>82,626,379</u>
TOTAL PENSION LIABILITY - ENDING	<u>100,798,915</u>	<u>92,525,745</u>	<u>87,540,772</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	3,586,180	3,521,811	3,822,621
Contributions - state	372,790	394,437	391,657
Contributions - employee	1,072,585	1,065,791	986,417
Net investment income	7,325,447	8,980,612	6,286,349
Benefit payments	(4,794,601)	(4,512,657)	(5,500,238)
Contribution refunds	(107,919)	(35,787)	(52,793)
Administrative expenses	<u>(216,523)</u>	<u>(220,226)</u>	<u>(219,180)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	7,237,959	9,193,981	5,714,833
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>78,790,699</u>	<u>69,596,718</u>	<u>63,881,885</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>86,028,658</u>	<u>78,790,699</u>	<u>69,596,718</u>
NET PENSION LIABILITY	<u>\$ 14,770,257</u>	<u>\$ 13,735,046</u>	<u>\$ 17,944,054</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE			
OF TOTAL PENSION LIABILITY	85.3%	85.2%	79.5%
COVERED EMPLOYEE PAYROLL	\$ 7,634,463	\$ 7,651,439	\$ 7,136,191
NET PENSION LIABILITY AS A PERCENTAGE			
OF COVERED EMPLOYEE PAYROLL	193.5%	179.5%	251.5%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

The accompanying independent auditor's report should be read with this supplementary schedule.

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
(UNAUDITED)
(Continued)

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:		
Service cost	\$ 2,558,195	\$ 2,440,094
Interest	6,289,742	5,928,052
Changes in benefit terms	357,454	345,399
Difference between actual and expected experience	(1,715,691)	(551,848)
Assumption changes	101,056	96,389
Benefit payments	(3,730,013)	(3,982,063)
Contribution refunds	(69,592)	(4,028)
Other	<u>(39,152)</u>	<u>(19,920)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	3,751,999	4,252,075
TOTAL PENSION LIABILITY - BEGINNING	<u>78,874,380</u>	<u>74,622,305</u>
TOTAL PENSION LIABILITY - ENDING	<u>82,626,379</u>	<u>78,874,380</u>
PLAN FIDUCIARY NET POSITION:		
Contributions - employer	4,064,434	4,164,581
Contributions - state	485,663	492,840
Contributions - employee	972,711	970,011
Net investment income	(507,362)	5,036,474
Benefit payments	(3,730,013)	(3,982,063)
Contribution refunds	(69,592)	(4,028)
Administrative expenses	<u>(176,928)</u>	<u>(169,317)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,038,913	6,508,498
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>62,842,972</u>	<u>56,334,474</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>63,881,885</u>	<u>62,842,972</u>
NET PENSION LIABILITY	<u>\$ 18,744,494</u>	<u>\$ 16,031,408</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	77.3%	79.7%
COVERED EMPLOYEE PAYROLL	\$ 6,884,383	\$ 6,945,643
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	272.3%	230.8%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

The accompanying independent auditor's report should be read with this supplementary schedule.

**CITY OF LAUDERHILL
FIREFIGHTERS'
RETIREMENT SYSTEM**

COMPLIANCE REPORT

SEPTEMBER 30, 2018

KABAT · SCHERTZER
DE LA TORRE · TARABOULOS
&
C O M P A N Y

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Board of Trustees of the
City of Lauderhill Firefighters' Retirement System

We have audited, in accordance with the 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, the financial statements of the City of Lauderhill Firefighters' Retirement System, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Lauderhill Firefighters' Retirement System's basic financial statements, and have issued our report thereon dated February 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lauderhill Firefighters' Retirement System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lauderhill Firefighters' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lauderhill Firefighters' Retirement System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

KABAT · SCHERTZER
DE LA TORRE · TARABOULOS
&
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AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS** (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lauderhill Firefighters' Retirement System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lauderhill Firefighters' Retirement System's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Lauderhill Firefighters' Retirement System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & Co.

Weston, Florida
February 12, 2019