



C Borders-Byrd, CPA LLC  
Accountants and Consultants

Financial Statements and Report of Independent  
Certified Public Accountants

**City of Lauderhill Police Officers'  
Retirement Plan**

September 30, 2019 and 2018

City of Lauderdale Police Officers' Retirement Plan

A Pension Trust Fund of the City of Lauderdale, Florida

Financial Statements and Report of Independent Certified Public Accountants  
As of and for the Years Ended September 30, 2019 and 2018

Table of Contents

	<b>Page</b>
Report of Independent Certified Public Accountants	1 - 3
Management's Discussion and Analysis (Required Supplementary Information – Unaudited)	4 - 8
Financial Statements:	
Statements of Fiduciary Net Position	9
Statements of Changes in Fiduciary Net Position	10
Notes to Financial Statements	11 - 27
Required Supplementary Information – Unaudited:	
Schedule of Changes in the City's Net Pension Liability	28
Schedule of Contributions by Employer	29
Schedule of Investment Returns	30
Notes to Required Supplementary Information	31 - 33
Other Supplemental Schedules:	
Schedule 1 – Schedule of Investment Expenses	34
Schedule 2 – Schedule of Administrative Expenses	34
Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees  
City of Lauderhill Police Officers' Retirement Plan

We have audited the accompanying financial statements of the City of Lauderhill Police Officers' Retirement Plan (the "Plan"), which comprise the statements of fiduciary net position as of September 30, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 fiduciary net position of the City of Lauderhill Police Officers' Retirement Plan as of September 30, 2019 and 2018, and the related statement of changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4-8 and pages 28-33 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.

### *Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying supplemental schedules of investment expenses and administrative expenses as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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. 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.



### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2020, on our consideration of the Plan'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 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 Plan's internal control over financial reporting and compliance.

*C Borders-Byrd, CPA LLC*

Lauderhill, Florida  
February 10, 2020

## City of Lauderhill Police Officers' Retirement Plan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information – Unaudited)

September 30, 2019 and 2018

Our discussion and analysis of the City of Lauderhill Police Officers' 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, 2019 and 2018. It should be read in conjunction with the Plan's financial statements, which follow.

#### Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal years ended September 30, 2019 and 2018 by \$72,730,189 and \$71,281,197, respectively, (reported as net position restricted for pensions). Net position is held in trust to meet future benefit payments. The increase of \$1,448,992 and \$4,797,861, of the respective years has resulted primarily from changes in the fair value of the Plan's investments and interest and dividend income.
- Receivables at September 30, 2019 were less than receivables at September 30, 2018 by \$22,607 (or 29.2%) due primarily to a decrease in receivable for securities sold.
- Receivables at September 30, 2018 were less than receivables at September 30, 2017 by \$34,132 (or 30.6%) due primarily to a decrease in accrued interest due from Lauderhill Housing Authority.
- Liabilities at September 30, 2019 were more than liabilities at September 30, 2018 by \$16,951 (or 16.4%) due primarily to an increase in overpayment of contributions by the City of Lauderhill.
- Liabilities at September 30, 2018 were less than liabilities at September 30, 2017 by \$70,278 (or 40.5%) due primarily to a decrease in contribution refund payables.
- For the fiscal year ended September 30, 2019, City contributions to the Plan decreased by \$297 (or 0.01%) based on the actuarial valuation. Actual City contributions were \$2,499,132 and \$2,499,429 for 2019 and 2018, respectively.
- For the fiscal year ended September 30, 2018, City contributions to the Plan increased by \$187,467 (or 8.1%) based on the actuarial valuation. Actual City contributions were \$2,499,429 and \$2,311,962 for 2018 and 2017, respectively.
- For the fiscal year ended September 30, 2019, member contributions including buybacks increased by \$136,192 (or 14.3%). Actual member contributions were \$1,027,083 and \$921,050 for 2019 and 2018, respectively, and buybacks were \$63,994 and \$33,835 for 2019 and 2018, respectively. Member contributions have fluctuated from year to year, based on the number of active members, salary and buybacks.

## City of Lauderdale Police Officers' Retirement Plan

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED (Required Supplementary Information – Unaudited)

September 30, 2019 and 2018

#### Financial Highlights - Continued

- For the fiscal year ended September 30, 2018, member contributions including buybacks increased by \$42,946 (or 4.7%). Actual member contributions were \$921,050 and \$897,779 for 2018 and 2017, respectively, and buybacks were \$33,835 and \$14,160 for 2018 and 2017, respectively. Member contributions have fluctuated from year to year, based on the number of active members, salary and buybacks.
- For the fiscal year ended September 30, 2019, net investment income was \$1,786,676 compared to \$5,006,434 for fiscal year ended September 30, 2018. Actual results were \$592,909 and \$3,956,593 of net appreciation in fair value of investments for 2019 and 2018, respectively, and \$1,364,802 and \$1,263,631 of income from interest and dividends for 2019 and 2018, respectively. Investment expenses decreased by \$42,755 (or 20%).
- For the fiscal year ended September 30, 2018, net investment income was \$5,006,434 compared to \$8,315,095 for fiscal year ended September 30, 2017. Actual results were \$3,956,593 and \$7,576,478 of net appreciation in fair value of investments for 2018 and 2017, respectively, and \$1,263,631 and \$947,095 of income from interest and dividends for 2018 and 2017, respectively. Investment expenses increased by \$5,312 (or 2.6%).
- For the fiscal year ended September 30, 2019, benefit payments and refunds of contributions increased by \$311,391 (or 7.9%). The increase is consistent with the increase in the number of retirees, including DROP payment withdrawals.
- For the fiscal year ended September 30, 2018, benefit payments and refunds of contributions increased by \$853,199 (or 27.5%). The increase is consistent with the increase in the number of retirees, including DROP payment withdrawals.
- For the fiscal year ended September 30, 2019, administrative expenses increased \$6,303 (or 4.5%) from 2018.
- For the fiscal year ended September 30, 2018, administrative expenses increased \$26 (or 0.02%) from 2017.

#### Plan Highlights

- For the year ending September 30, 2019, the total return of the portfolio was 2.7%. Actual net returns from investments were net investment income of \$1,786,676 in 2019 compared with net investment income of \$5,006,434 in 2018.
- For the year ending September 30, 2018, the total return of the portfolio was 8.0%. Actual net returns from investments were net investment income of \$5,006,434 in 2018 compared with net investment income of \$8,315,095 in 2017.

## City of Lauderdale Police Officers' Retirement Plan

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED (Required Supplementary Information – Unaudited)

September 30, 2019 and 2018

#### Overview of the Financial Statements

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

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

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

#### Description of the Financial Statements

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

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

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

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

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



**City of Lauderdale Police Officers' Retirement Plan**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
(Required Supplementary Information – Unaudited)**

**September 30, 2019 and 2018**

Condensed Statements of Fiduciary Net Position

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,018,930	\$ 1,302,152
Receivables	54,875	77,482
Investments at fair value	<u>71,776,602</u>	<u>70,004,830</u>
Total assets	72,850,407	71,384,464
Liabilities	<u>120,218</u>	<u>103,267</u>
Net position restricted for pensions	<u>\$ 72,730,189</u>	<u>\$ 71,281,197</u>

Condensed Statements of Changes in Fiduciary Net Position

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

	<u>2019</u>	<u>2018</u>
Additions:		
Contributions:		
City	\$ 2,499,132	\$ 2,499,429
Members	1,091,077	954,855
State	<u>491,287</u>	<u>438,599</u>
Total	4,081,496	3,892,913
Net investment income	<u>1,786,676</u>	<u>5,006,434</u>
Total additions	<u>5,868,172</u>	<u>8,899,347</u>
Deductions:		
Pension benefits paid	4,261,286	3,950,070
Refund of contributions	10,270	10,095
Administrative expenses	<u>147,624</u>	<u>141,321</u>
Total deductions	<u>4,419,180</u>	<u>4,101,486</u>
Net increase	1,448,992	4,797,861
Net position restricted for pensions at beginning of year	<u>71,281,197</u>	<u>66,483,336</u>
Net position restricted for pensions at end of year	<u>\$ 72,730,189</u>	<u>\$ 71,281,197</u>

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

**City of Lauderhill Police Officers' Retirement Plan**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
(Required Supplementary Information – Unaudited)**

**September 30, 2019 and 2018**

Asset Allocation

At the end of the fiscal year ended September 30, 2019, the common stock and absolute return portion comprised approximately 44% (\$32,293,520) of the total portfolio. The allocation to fixed income securities was approximately 13% (\$9,384,634) while cash and cash equivalents comprised approximately 1% (\$1,018,930). The portion of investments allocated to alternative strategies, international equity, notes receivable and real estate was \$6,613,847, \$9,840,705, \$2,000,000 and \$11,643,896 or approximately 9%, 14%, 3%, and 16%, respectively, of the total portfolio.

At the end of the fiscal year ended September 30, 2018, the common stock and absolute return portion comprised approximately 54% (\$38,154,955) of the total portfolio. The allocation to fixed income securities was approximately 12% (\$8,575,907) while cash and cash equivalents comprised approximately 2% (\$1,302,152). The portion of investments allocated to international equity, notes receivable and real estate was \$10,081,100, \$2,000,000 and \$11,192,868 or approximately 14%, 3%, and 15%, respectively, of the total portfolio.

The target asset allocation was as follows:

	<u>2019</u>	<u>2018</u>
Domestic equity	45%	45%
Fixed income	15%	15%
Foreign equity	15%	15%
Absolute return	10%	10%
Real estate	15%	15%

Contacting the Plan's Financial Management

This financial report is designed to provide the Retirement Plan's Board of Trustee's, our membership, taxpayers, investors, and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact the City of Lauderhill Police Officers' Retirement Plan, c/o Precision Pension Administration, Inc., 13790 N.W. 4 Street, Suite 105, Sunrise, Florida 33325.

**City of Lauderhill Police Officers' Retirement Plan**

**STATEMENTS OF FIDUCIARY NET POSITION**

**September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 1,018,930</u>	<u>\$ 1,302,152</u>
Receivables:		
Accrued interest due from Lauderhill Housing Authority	31,875	31,875
Due from broker	-	25,048
Interest and dividends	<u>23,000</u>	<u>20,559</u>
Total receivables	<u>54,875</u>	<u>77,482</u>
Investments at fair value:		
Common stocks	3,915,012	7,044,417
Absolute return equity funds	28,378,508	31,110,538
Alternative strategies funds	6,613,847	-
Domestic fixed income funds	9,384,634	8,575,907
International equity funds	9,840,705	10,081,100
Notes receivable	2,000,000	2,000,000
Real estate funds	<u>11,643,896</u>	<u>11,192,868</u>
Total investments	<u>71,776,602</u>	<u>70,004,830</u>
Total assets	<u>72,850,407</u>	<u>71,384,464</u>
<b>Liabilities</b>		
Accounts payable	46,786	44,801
City of Lauderhill overpayment of contributions	73,432	45,391
Due to broker	-	13,075
Total liabilities	<u>120,218</u>	<u>103,267</u>
Net position restricted for pensions	<u>\$ 72,730,189</u>	<u>\$ 71,281,197</u>

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

**City of Lauderdale Police Officers' Retirement Plan**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>Additions:</b>		
Contributions:		
City	\$ 2,499,132	\$ 2,499,429
Members	1,091,077	954,885
State	491,287	438,599
Total contributions	4,081,496	3,892,913
Investment income:		
Net (depreciation) appreciation in fair value of investments	592,909	3,956,593
Interest and dividends	1,364,802	1,263,631
Total investment income	1,957,711	5,220,224
Less: Investment expenses	171,035	213,790
Net investment income	1,786,676	5,006,434
Total additions	5,868,172	8,899,347
<b>Deductions:</b>		
Pension benefits paid	4,261,286	3,950,070
Refund of contributions	10,270	10,095
Administrative expenses	147,624	141,321
Total deductions	4,419,180	4,101,486
<b>Net increase in net position</b>	<b>1,448,992</b>	<b>4,797,861</b>
<b>Net position restricted for pensions:</b>		
Beginning of year	71,281,197	66,483,336
End of year	\$ 72,730,189	\$ 71,281,197

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

**City of Lauderhill Police Officers' Retirement Plan**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019 and 2018**

NOTE 1 - DESCRIPTION OF THE PLAN

Organization

The City of Lauderhill Police Officers' Retirement Plan (the "Plan"), is a single-employer defined benefit pension plan established by the City of Lauderhill, Florida (the "City") pursuant to the provisions of an ordinance on July 25, 1994. Since the Plan is 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 Board of Trustees consisting of five members:

- Two are active police officers who are elected by active members of the Plan
- Two are legal residents of the City who are elected by the City Commission
- One is elected by a majority of the previous four members

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

Participants

All full-time police officers (excluding the Police Chief) are required to become members of the Plan. Members are further divided in the following tiers:

- Tier One members are members hired prior to March 23, 2009
- Tier Two members are members hired on or after March 23, 2009

Membership

At October 1, Plan membership consisted of:

	<u>2018</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	56	54
Inactive plan members entitled to but not yet receiving benefits	14	11
Active plan participants:		
Tier One	53	54
Tier Two	<u>49</u>	<u>43</u>
	<u>172</u>	<u>162</u>

**City of Lauderdale Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**September 30, 2019 and 2018**

NOTE 1 - DESCRIPTION OF THE PLAN - Continued

Service Retirement Benefits

*All Members*

A service retirement benefit shall be payable on the first day of each month. The benefits shall commence on the first day of the month coincident with or next following the member's actual retirement. Several benefit options are available to members, which should be elected at the time of retirement. Early retirement, disability, death and other benefits are also provided. For service retirement benefit calculations, Final Monthly Compensation ("FMC") shall mean a member's average total compensation from the City during the 5 highest years out of the last 10 years of employment.

*Tier One Members*

Any members may retire and receive normal retirement benefits upon completing 20 years of creditable service regardless of age or the date upon which the member attains age 55 with 5 years of credited service, whichever occurs first. Members shall become fully vested after earning 5 years of credited service and whose contributions remain in the Plan.

Upon normal retirement, a member will receive a monthly pension amount equal to 3% of FMC for all service accrued prior to October 1, 2001 multiplied by the number of years of credited continuous service and 3½% of FMC for all service accrued on or after October 1, 2001 multiplied by the number of years of credited and continuous service. The maximum accrual is 75% of FMC. For members employed by the City as of April 25, 2011, years of service accrued prior to October 1, 2001 shall be determined by multiplying 3½% of FMC by the number of years of credited service for all service accrued prior to October 1, 2001.

Effective January 20, 2015, earnable compensation for Tier One members who did not retire and were not eligible for normal retirement as of April 28, 2014 is to be defined as a member's base pay, longevity pay, education incentive pay, assignment pay, up to three hundred (300) hours of overtime per calendar year and payouts for accrued holiday/incentive, vacation and/or sick time earned prior to September 30, 2013. The value of such accrued holiday/incentive, vacation and/or sick time earned as of September 30, 2013 will be at each individual member's rate of pay as of April 28, 2014 or September 30, 2014, whichever is higher.

**City of Lauderdale Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

NOTE 1 - DESCRIPTION OF THE PLAN - Continued

Service Retirement Benefits - Continued

*Tier Two Members*

Any member may retire and receive normal retirement benefits upon completing 25 years of creditable service regardless of age or the date upon which the member attains age 55 with 10 years of credited service, whichever occurs first. Members shall become fully vested after earning 7 years of credited service and whose contributions remain in the Plan.

Upon normal retirement, member will receive a monthly pension amount equal to 3% of FMC multiplied by the number of years of credited service with a maximum of 75% benefit after 25 years of service. Members are allowed to purchase an increase in their multiplier up to 3.5% per year (from 3.0%) by paying the full actuarial costs.

Effective January 26, 2015, earnable compensation for Tier Two members is defined as a member's base pay, longevity pay, education incentive pay, assignment pay, and up to three hundred (300) hours of overtime per calendar year.

Termination

All members shall have the right to elect to receive, in lieu of all benefits under the Plan, a return of the member's accumulated contributions.

Deferred Retirement Option Plan

Any member who is eligible to receive a normal retirement benefit may freeze their accrued benefits and elect to participate in the Deferred Retirement Option Plan (DROP) while continuing their active employment. The maximum period of participation in the DROP is 5 years.

The member's DROP account earns interest at the actuarially assumed rate of the Plan. The assumed rate may be adjusted prospectively by the Board from time to time, but cannot be decreased retroactively. Once a member enters the DROP, their monthly retirement benefit is frozen, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including investment earnings, is paid in a cash lump sum, unless the members elects all or a portion paid to an eligible retirement plan in a direct rollover.

**City of Lauderhill Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**September 30, 2019 and 2018**

NOTE 1 - DESCRIPTION OF THE PLAN - Continued

Deferred Retirement Option Plan - Continued

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

	2019	2018
Beginning balance	\$ 2,346,355	\$ 2,475,316
Additions	782,162	882,296
Distributions	(1,081,571)	(1,164,504)
Interest	120,877	153,247
Ending balance	\$ 2,167,823	\$ 2,346,355

Cost-of-Living Adjustment

Tier One members shall be eligible to receive a cost-of-living adjustment (COLA) in the form of a thirteenth check. The COLA shall be determined on an annual basis and is not guaranteed. The COLA shall be based upon the actuarial gains in the Plan. If the actuarial gains in the Plan exceeds the investment return assumed for purposes of the actuarial valuation of the Plan and a total experience gain for the Plan as compared to the actuarial assumptions, then a thirteenth check shall be issued. The cost-of-living adjustment shall not exceed the regular monthly retirement benefit.

Tier Two members are not eligible to receive any COLA, or any thirteenth check program.

Post Retirement Supplement

In addition to the monthly retirement benefits provided by the Plan, there shall be a supplemental payment of \$10 per month per year of service for all members employed by the City on or after April 25, 2011, provided such member has at least 20 years of credited service with the City or provided such members left the City at age 55 or older with more than 5 years of credited service with the City. This benefit shall commence on the fifth anniversary date of termination of service and shall cease upon the member reaching 65 years of age.

Funding Requirements

Members are required to contribute ten percent (10%) of earnable compensation. For Tier One members, earnable compensation is defined as total cash remuneration for services rendered. For Tier Two members, earnable compensation includes base pay, longevity pay, educational incentive pay, assignment pay and up to 300 hours of overtime pay per year.



**City of Lauderdale Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**September 30, 2019 and 2018**

NOTE 1 - DESCRIPTION OF THE PLAN - Continued

Funding Requirements - Continued

Members may buyback up to a total of five years credited service for prior service as a police officer with any duly constituted police department, other eligible sworn law enforcement service, and/or for military service in the Armed Forces of the United States.

The City is required to contribute such amounts as are necessary to maintain the actuarial soundness of the Plan and when combined with members' contributions and allowable contributions from the State of Florida ("State"), will provide the Plan with assets sufficient to meet the benefits as they become payable.

Investments

The Plan has contracts with investment managers who supervise and direct the investment of equity and fixed income securities. In addition, the Plan utilizes an investment consultant who monitors the investing activity. The investments 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. Member contributions are recognized as revenue in the period in which the contributions are due. City contributions are recognized as revenue when due pursuant to actuarial valuations. State contributions are recognized as revenue in the period in which they are approved by the State. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investment purchases and sales are recorded on a trade date basis. Interest income is recorded as earned and dividend income is recorded as of the ex-dividend date.

Cash Equivalents

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

Reclassification

Certain 2018 amounts have been reclassified to conform to the current year's presentation.

**City of Lauderhill Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

The GASB issued Statement No. 72, *Fair Value Measurement and Application* in February 2015. This statement is effective for fiscal years beginning after June 15, 2015. The Plan adopted GASB 72 in fiscal year 2016's financial statements. The adoption of GASB 72 is reflected in Note 4 to the financial statements.

Investments are recorded at fair value in the Statements 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 securities: These include common stock, domestic, international and absolute return equity funds. 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, 2019 and 2018. 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.
- Real estate: Real estate funds are valued using their respective net asset value ("NAV") as of September 30, 2019 and 2018. The most significant input into the NAV of such funds is the fair value of the investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors.
- Notes receivable: The market value for notes receivable represents estimated fair value as a quoted price is not available.

Unrealized gains and losses are presented as net appreciation (depreciation) fair value of investments on the Statements of Changes in Fiduciary Net Position along with gains and losses realized on sales of investments. Interest income is recorded as earned and dividend income is recorded as of the ex-dividend date. Purchases and sales of investments are recorded on a trade-date basis.

**City of Lauderdale Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments - Continued

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 Fiduciary Net Position.

Use of Estimates

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

Income Tax Status

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

Risk and Uncertainties

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

Subsequent Events

Management has evaluated subsequent events through February 10, 2020, the date which the financial statements were available for issue.

NOTE 3 - CONTRIBUTIONS

Actual Contributions

The actual City and State contributions amounted to \$2,990,419 and \$2,938,028, for the years ended September 30, 2019 and 2018, respectively. The actual amount of annual covered payroll for the years ended September 30, 2019 and 2018 were approximately \$9,421,667 and \$8,751,336, respectively. City and State contributions consisted of the following for the years ended September 30:

**City of Lauderhill Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**September 30, 2019 and 2018**

NOTE 3 - CONTRIBUTIONS - Continued

Actual Contributions - Continued

	2019		2018	
	Amount	Percent of Actual Covered Annual Payroll	Amount	Percent of Actual Covered Annual Payroll
City contributions	\$ 2,499,132	26.5%	\$ 2,499,429	28.6%
State contributions	491,287	5.2%	438,599	5.0%
Total City and State	<u>\$ 2,990,419</u>	<u>31.7%</u>	<u>\$ 2,938,028</u>	<u>33.6%</u>

For the fiscal years ended September 30, 2019 and 2018, member contributions were \$1,027,083 and \$921,050, respectively and buybacks were \$63,994 and \$33,835, 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, 2019 and 2018, the Plan selected to use the fixed dollar contribution amount.

The contributions required from the City and the State for the years ended September 30, 2019 and 2018, were actuarially determined by the October 1, 2018 and 2017 valuations to be \$2,990,419 and \$2,938,028, respectively. The actuarially computed annual covered payroll used in the October 1, 2018 and 2017 valuations was approximately \$9,421,667 and \$8,751,336, respectively.

The amount covers the following:

	2019		2018	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
Normal cost	\$ 1,577,110	16.7%	\$ 1,491,186	17.1%
Amortization of the unfunded liability	1,413,309	15.0%	1,446,842	16.5
Total required from City and State	<u>\$ 2,990,419</u>	<u>31.7%</u>	<u>\$ 2,938,028</u>	<u>33.6%</u>

**City of Lauderhill Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

**NOTE 4 - DEPOSITS AND INVESTMENT RISK DISCLOSURES**

Cash and Cash Equivalents

Deposits are carried at cost and are included in cash and cash equivalents in the Statement of Fiduciary Net Position. Cash and cash equivalents include money market accounts or mutual funds at September 30, 2019 and 2018, respectively; the bank and book balances are the same.

Investment Authorization

The Plan's investment policy is determined by the Board of Trustees. The policy has been identified by the Board as having the greatest expected investment return, and the resulting positive impact on asset values, funded status, and benefits, without exceeding a prudent level of risk.

The Trustees are authorized to acquire and retain every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account.

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 75% (at market) of the Plan's total portfolio. No more than 5% of the portfolio may be invested in the shares of a single corporate issuer at cost. Investments in foreign securities shall be limited to 25% (at market) of the Plan's total portfolio. The Plan may achieve diversification in foreign securities through commingled fund or mutual fund vehicles. These pooled investments are considered an investment in foreign securities.

The average quality rating of the bond portfolio must be rated "A" or higher. Fixed income securities are limited to 40% of the Plan's total portfolio. The corporate fixed income portfolio shall be comprised of securities rated not less than "BBB" by a major rating service. In the event that there is a downgrade in the quality below the "BBB" rating the security must be sold at the earliest beneficial opportunity. Those securities rated below "BBB" shall not exceed 15% of the entire fixed income portfolio.

Investments in collateralized mortgage obligations should be limited to 15% of the market value of the investment managers' total fixed income portfolio.

**City of Lauderhill Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

NOTE 4 - DEPOSITS AND INVESTMENT RISK DISCLOSURES - Continued

Types of Investments

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target allocation of these investments at market is as follows:

	2019	2018
Domestic equity	45%	45%
Fixed income	15%	15%
Foreign equity	15%	15%
Absolute return	10%	10%
Real estate	15%	15%

The Plan has implemented the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* issued in February 2015 by categorizing its investments according to the fair value hierarchy established by this Statement. The hierarchy is based on the valuation input used to measure the fair value of the asset with Level 1 assets being those where quoted prices in an active market for identical assets can be readily obtained, and Level 2 assets valued using a matrix pricing technique of quoted prices for similar assets or liabilities in active markets.

The Plan's investments were all categorized as follows:

	September 30, 2019	Level 1	Level 2	Weighted Average Maturity (Years)
<b>Investments by Fair Value Level</b>				
Debt Securities:				
Domestic fixed income funds	\$ 9,384,634	\$ -	\$ 9,384,634	-
Notes receivable	2,000,000	-	2,000,000	3
Total debt securities	11,384,634	-	11,384,634	
Equity Securities:				
Common / preferred stock	3,915,012	3,915,012	-	-
Equity mutual funds	44,833,060	-	44,833,060	-
Total equity securities	48,748,072	3,915,012	44,833,060	
Total investments by fair value level	60,132,706	3,915,012	56,217,694	

**City of Lauderhill Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**September 30, 2019 and 2018**

NOTE 4 - DEPOSITS AND INVESTMENT RISK DISCLOSURES - Continued

Types of Investments - Continued

	September 30, <u>2019</u>			
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Real estate funds	\$ <u>11,643,896</u>			
Total investments measured at the NAV	<u>11,643,896</u>			
Total investments measured at fair value	71,776,602			
Cash and cash equivalents	<u>1,018,930</u>			
Total cash, cash equivalents and investments	<u>\$ 72,795,532</u>			
	September 30, <u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	Weighted Average Maturity (Years)
<b>Investments by Fair Value Level</b>				
Debt Securities:				
Domestic fixed income funds	\$ 8,575,907	\$ -	\$ 8,575,907	-
Notes receivable	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	4
Total debt securities	<u>10,575,907</u>	<u>-</u>	<u>10,575,907</u>	
Equity Securities:				
Common / preferred stock	7,044,417	7,044,417	-	-
Equity mutual funds	<u>41,191,638</u>	<u>-</u>	<u>41,191,638</u>	-
Total equity securities	<u>48,236,055</u>	<u>7,044,417</u>	<u>41,191,638</u>	
Total investments by fair value level	<u>58,811,962</u>	<u>7,044,417</u>	<u>51,767,545</u>	
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Real estate funds	\$ <u>11,192,868</u>			
Total investments measured at the NAV	<u>11,192,868</u>			
Total investments measured at fair value	70,004,830			
Cash and cash equivalents	<u>1,302,152</u>			
Total cash, cash equivalents and investments	<u>\$ 71,306,982</u>			

**City of Lauderhill Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**September 30, 2019 and 2018**

NOTE 4 - DEPOSITS AND INVESTMENT RISK DISCLOSURES - Continued

Rate of Return

For the years ended September 30, 2019 and 2018, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expense, was 2.7% and 8.0%, 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 show the distribution of the Plan's investments by maturity at September 30:

	2019 Investment Maturities (In years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Investment Type:					
Bonds funds	\$ 9,384,634	\$ 93,805	\$ 4,434,456	\$ 1,268,250	\$ 3,588,123
Total fixed income securities	<u>\$ 9,384,634</u>	<u>\$ 93,805</u>	<u>\$ 4,434,456</u>	<u>\$ 1,268,250</u>	<u>\$ 3,588,123</u>

	2018 Investment Maturities (In years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Investment Type:					
Bonds funds	\$ 8,575,907	\$ 110,027	\$ 3,565,450	\$ 4,339,982	\$ 560,448
Total fixed income securities	<u>\$ 8,575,907</u>	<u>\$ 110,027</u>	<u>\$ 3,565,450</u>	<u>\$ 4,339,982</u>	<u>\$ 560,448</u>



**City of Lauderhill Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

NOTE 4 - DEPOSITS AND INVESTMENT RISK DISCLOSURES – Continued

Credit Risk

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

The following table discloses credit ratings by investment type, at September 30, as applicable:

Quality rating of credit risk debt securities	2019		2018	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
AAA	\$ 3,813,701	40.0%	\$ 3,407,534	40.0%
AA	431,379	5.0	426,803	5.0
A	977,086	10.0	863,279	10.0
BBB	2,608,971	28.0	2,424,739	28.0
BB	689,509	7.0	621,438	7.0
B	431,807	5.0	530,094	6.0
Below B	432,182	5.0	302,020	4.0
Total fixed income securities	<u>\$ 9,384,634</u>	<u>100.0%</u>	<u>\$ 8,575,907</u>	<u>100.0%</u>

Concentration of Credit Risk

The Plan's investment policy contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. No individual investments represented 5% or more of fiduciary net position at September 30, 2019 and 2018.

Foreign Currency Risk

The Plan's exposure to foreign currency risk derives mainly from its investments in international equity mutual funds. The Plan's exposure to foreign currency risk related to foreign equity funds are \$9,840,705 and \$10,081,100 as of September 30, 2019 and 2018, 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 the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan and are held either by the counterparty 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 Plan's custodial bank and registered in the Plan's name.

**City of Lauderhill Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

**NOTE 5 - RELATED PARTY TRANSACTIONS**

The Plan entered into two interest-only notes receivable with a par value of \$1,000,000 each with the City of Lauderhill Housing Authority (the "CLHA"). The City is the Plan Sponsor. The notes mature on July 1, 2020 and July 1, 2024 and bear interest at 7.0% and 5.75%, respectively.

During the fiscal years ended September 30, 2019 and 2018, the Plan recorded interest income of \$127,500. Included in interest and dividends receivable is \$31,875 in accrued interest due on the notes at September 30, 2019 and 2018.

The City of Lauderhill Housing Authority and the City, severally and 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 now or hereafter in their possession in connection with the note maturing July 1, 2020.

**NOTE 6 - NET PENSION LIABILITY OF THE CITY**

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

	2019	2018
Total pension liability	\$ 88,516,474	\$ 84,346,770
Plan fiduciary net position	(72,730,189)	(71,281,197)
City net pension liability	\$ 15,786,285	\$ 13,065,573
Plan fiduciary net position as a percentage of total pension liability	82.17%	84.51%

**Actuarial Assumptions**

The total pension liability at September 30, 2019 and 2018, respectively, was determined using an actuarial valuation as of October 1, 2018 and 2017, with updated procedures used to roll forward the total pension liability to September 30, 2019 and 2018. The actuarial valuation used the following actuarial assumptions:

Inflation	3.00%
Projected salary increases	5.50%
Projected COLAs	Variable 13 <sup>th</sup> check, only if plan has cumulative net actuarial gain
Investment rate of return	7.25% (2019) and 7.40% (2018) compounded annually, net of pension plan investment expense, including inflation.

**City of Lauderdale Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**September 30, 2019 and 2018**

NOTE 6 - NET PENSION LIABILITY OF THE CITY - Continued

Mortality

Pre-Retirement:

Female Non-Disabled: RP2000 Generational, 100% Combined Healthy with White Collar Adjustment, Scale BB

Male Non-Disabled: RP2000 Generational, 10% Combined Healthy with White Collar Adjustment / 90% Combined Healthy with Blue Collar Adjustment, Scale BB

Post-Retirement:

Female Non-Disabled: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male Non-Disabled: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

Pre-Retirement & Post-Retirement:

Female Disabled: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

Male Disabled: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of the valuation dates of October 1, 2018 and October 1, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

**City of Lauderdale Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2019 and 2018**

NOTE 6 - NET PENSION LIABILITY OF THE CITY – Continued

Determination of the Long-Term Rate of Return on Plan Assets

<b>Asset Class</b>	<b>Target Allocation</b>	<b>2019 Expected Long-Term Return</b>	<b>2018 Expected Long-Term Return</b>
US Large Cap Stocks	35.0%	4.60%	4.00%
US Small / Mid Cap Stocks	10.0%	5.00%	4.50%
International Equity	15.0%	5.20%	5.00%
US Direct Real Estate	15.0%	4.50%	4.25%
Absolute Return	10.0%	3.00%	3.00%
Global Infrastructure	0.0%	4.00%	3.75%
US Aggregate Bond	15.0%	1.50%	1.50%
Total/Weighted Arithmetic Average	100.0%	4.09%	3.76%
Assumed Rate of Inflation		3.00%	3.00%
Expected Nominal Long-Term Rate of Return		7.09%	6.76%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% and 7.40% for 2019 and 2018, respectively. 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the City calculated using the discount rate of 7.25% and 7.40% for 2019 and 2018, respectively, as well as what the employer net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**City of Lauderdale Police Officers' Retirement Plan**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**September 30, 2019 and 2018**

NOTE 6 - NET PENSION LIABILITY OF THE CITY – Continued

**City Net Pension Liability - 2019**

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
September 30, 2019	\$ 27,174,648	\$ 15,786,285	\$ 6,442,816

**City Net Pension Liability - 2018**

	<u>1% Decrease (6.40%)</u>	<u>Current Discount Rate (7.40%)</u>	<u>1% Increase (8.40%)</u>
September 30, 2018	\$ 23,691,817	\$ 13,065,573	\$ 4,335,209

NOTE 7 – UNFUNDED ACTUARIAL ACCRUED LIABILITIES

The unfunded actuarial accrued liability decreased by approximately \$500,000 and increased by approximately \$1.7 million for the years ended September 30, 2019 and 2018, respectively. The decrease and increase were primarily the result of changes in actuarial assumptions and actuarial gains/losses. The increases are being amortized over a period of 19 to 30 years.

## Required Supplementary Information

## City of Lauderdale Police Officers' Retirement Plan

### Required Supplementary Information

#### SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (UNAUDITED) As of and For the Fiscal Year Ended September 30,

	2019	2018	2017	2016	2015	2014
<b>Total pension liability:</b>						
Service cost	\$ 2,268,458	\$ 2,115,373	\$ 1,968,523	\$ 2,026,701	\$ 2,263,617	\$ 2,410,501
Interest	6,128,008	5,948,033	5,533,621	5,166,947	4,759,669	4,396,768
Changes of benefit terms:						
Differences between expected and actual experience	(1,414,643)	1,103,892	(414,452)	541,452	(357,156)	-
Changes of assumptions	1,459,437	1,377,890	781,572	230,889	783,793	-
Benefit payments including refunds of member contributions	(4,271,556)	(3,960,165)	(3,106,966)	(2,120,243)	(1,630,757)	(1,223,106)
Net change in total pension liability	4,169,704	6,585,023	4,762,298	5,845,746	5,819,166	5,584,163
Total pension liability – beginning	84,346,770	77,761,747	72,999,449	67,153,703	61,334,537	55,750,374
Total pension liability – ending	88,516,474	84,346,770	77,761,747	72,999,449	67,153,703	61,334,537
<b>Plan fiduciary net position:</b>						
Contributions – Employer	2,990,419	2,938,028	2,720,815	2,724,191	2,831,755	2,872,191
Contributions – Member	1,091,077	954,885	911,939	922,206	1,014,541	1,071,357
Net investment income	1,786,676	5,006,434	8,315,095	5,185,725	366,152	3,886,946
Benefit payments, including refunds of member contributions	(4,271,556)	(3,960,165)	(3,106,966)	(2,120,243)	(1,630,757)	(1,223,106)
Administrative expenses	(147,624)	(141,321)	(141,295)	(156,372)	(154,489)	(127,535)
Net change in plan fiduciary net position	1,448,992	4,797,861	8,699,588	6,555,507	2,427,202	6,479,853
Plan fiduciary net position – beginning	71,281,197	66,483,336	57,783,748	51,228,241	48,801,039	42,321,186
Plan fiduciary net position – ending	<u>\$ 72,730,189</u>	<u>\$ 71,281,197</u>	<u>\$ 66,483,336</u>	<u>\$ 57,783,748</u>	<u>\$ 51,228,241</u>	<u>\$ 48,801,039</u>
City's net pension liability	<u>\$ 15,786,285</u>	<u>\$ 13,065,573</u>	<u>\$ 11,278,411</u>	<u>\$ 15,215,701</u>	<u>\$ 15,925,462</u>	<u>\$ 12,533,498</u>
Total pension liability	\$ 88,516,474	\$ 84,346,770	\$ 77,761,747	\$ 72,999,449	\$ 67,153,703	\$ 61,334,537
Plan fiduciary net position	(72,730,189)	(71,281,197)	(66,483,336)	(57,783,748)	(51,228,241)	(48,801,039)
City's net pension liability	<u>\$ 15,786,285</u>	<u>\$ 13,065,573</u>	<u>\$ 11,278,411</u>	<u>\$ 15,215,701</u>	<u>\$ 15,925,462</u>	<u>\$ 12,533,498</u>
Plan fiduciary net position as a percentage of the total pension liability	82.17%	84.51%	85.50%	79.16%	76.29%	79.57%
Covered – actuarially computed employee payroll	\$ 9,421,667	\$ 8,751,336	\$ 8,091,698	\$ 8,479,879	\$ 9,712,011	\$ 9,671,315
City's net pension liability as a percentage of covered – employee payroll	167.55%	149.30%	139.38%	179.43%	163.98%	129.59%

\*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 accountants and notes to required supplementary information.

**City of Lauderhill Police Officers' Retirement Plan**

**Required Supplementary Information**

**SCHEDULE OF CONTRIBUTIONS BY EMPLOYER (UNAUDITED)  
For Fiscal Year Ended September 30,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,990,419	\$ 2,938,028	\$ 2,720,045	\$ 2,723,906	\$ 2,831,595
Contributions in relation to the actuarially determined contribution	2,990,419	2,938,028	2,720,045	2,723,906	2,831,595
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,421,667	\$ 8,751,336	\$ 8,091,698	\$ 8,479,879	\$ 9,712,011
Contributions as a percentage of covered-employee payroll	31.7%	33.6%	33.6%	32.1%	29.2%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 2,872,191	\$ 2,769,493	\$ 2,629,422	\$ 2,306,698	\$ 2,320,277
Contributions in relation to the actuarially determined contribution	2,872,191	2,769,493	2,629,422	2,306,698	2,320,277
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,671,315	\$ 8,844,361	\$ 8,818,777	\$ 9,149,345	\$ 8,751,221
Contributions as a percentage of covered-employee payroll	29.7%	31.30%	29.80%	25.2%	26.5%

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



**City of Lauderdale Police Officers' Retirement Plan**  
**Required Supplementary Information**  
**SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)**  
**Last Ten Fiscal Years**

Annual money-weighted rate of return, net of investment expense, is as follows:

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
2.6%	7.9%	14.4%	10.2%	1.2%	9.2%	16.1%	17.4%	(4.4%)	9.5%

The annualized compounded return is 8.2%.

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

## City of Lauderdale Police Officers' Retirement Plan

### Required Supplementary Information

#### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) For the Year Ended September 30, 2019

*Method and assumptions used in calculations of City's actuarially determined contributions.* The actuarially determined contribution rates in the schedule of the City's contributions are calculated as of October 1, 2018. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the City's contributions.

#### Mortality:

#### Pre-Retirement:

Female Non-Disabled: RP2000 Generational, 100% Combined Healthy with White Collar Adjustment, Scale BB

Male Non-Disabled: RP2000 Generational, 10% Combined Healthy with White Collar Adjustment / 90% Combined Healthy with Blue Collar Adjustment, Scale BB

#### Post-Retirement:

Female Non-Disabled: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male Non-Disabled: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

#### Pre-Retirement & Post-Retirement:

Female Disabled: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

Male Disabled: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

#### Interest to be Earned by Plan

7.25%, compounded annually, net of investment expenses.

#### Allowances for Administrative Expenses

Actual administrative expenses paid during the prior Plan year.

**City of Lauderhill Police Officers' Retirement Plan**

**Required Supplementary Information**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) - CONTINUED  
Last Ten Fiscal Years**

Employee Withdrawal Rates

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

<u>Age</u>	<u>Withdrawal Rates Per 100 Employees</u>
20	6.0
25	5.7
30	5.0
35	3.8
40	2.6
45	1.6
50	0.5
55 & over	0.0

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 five (5) years of Credited Service.

Tier Two members: the earlier of the completion of 25 years of Credited Service or the attainment of age 55 with completion of 10 years of Credited Service.

Salary Increase Factors

Current salaries are assumed to increase at a rate of 5.5% per year until retirement. In addition, accumulated sick and vacation leaves cash outs are added to the final pay.

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	0.03
25	0.03
30	0.04
35	0.05
40	0.07
45	0.10
50	0.18
55	0.36
60	0.90
65 & over	0.00

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

## City of Lauderhill Police Officers' Retirement Plan

### Required Supplementary Information

#### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) - CONTINUED Last Ten Fiscal Years

##### Asset Valuation Method

The actuarial value of assets is determined by smoothing the differences between actual investment earnings and assumed investment return over four (4) years. 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

3.0% per year.

##### Changes from Last Actuarial Valuation:

- The assumed fund investment return was changed from 7.40% to 7.25%.

## Other Supplemental Schedules

**City of Lauderdale Police Officers' Retirement Plan**

**SCHEDULES OF INVESTMENT EXPENSES AND  
ADMINISTRATIVE EXPENSES**

**For the Years Ended September 30, 2019 and 2018**

	2019	Percent of Net Position	2018	Percent of Net Position
Schedule "1"				
Schedule of Investment Expenses				
Financial management expenses	<b>\$ 87,783</b>	<b>0.12%</b>	\$ 132,091	0.19%
Total financial management expenses	<b>87,783</b>	<b>0.12%</b>	132,091	0.19%
Investment consultant fees:				
Southeastern Advisory Services, Inc.	<b>69,595</b>	<b>0.10%</b>	67,897	0.10%
Investment custodial fees:				
Salem Trust/Fifth Third	<b>13,657</b>	<b>0.02%</b>	13,802	0.02%
Total investment expenses	<b>\$ 171,035</b>	<b>0.24%</b>	\$ 213,790	0.31%

Schedule "2"				
Schedule of Administrative Expenses				
Professional services:				
Actuarial	<b>\$ 38,130</b>	<b>0.05%</b>	\$ 41,785	0.06%
Administrator	<b>41,240</b>	<b>0.06%</b>	39,240	0.06%
Audit and accounting	<b>18,800</b>	<b>0.03%</b>	18,800	0.03%
Legal	<b>32,343</b>	<b>0.04%</b>	27,741	0.04%
Total professional services	<b>130,513</b>	<b>0.18%</b>	127,566	0.19%
Other:				
Conferences and office	<b>9,429</b>	<b>0.01%</b>	6,700	0.01%
Insurance and other	<b>7,681</b>	<b>0.01%</b>	7,055	0.01%
Total other	<b>17,110</b>	<b>0.02%</b>	13,755	0.02%
Total administrative expenses	<b>\$ 147,623</b>	<b>0.20%</b>	\$ 141,321	0.21%

Report of Independent Certified Public Accountants  
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*

For the Year Ended September 30, 2019

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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  
City of Lauderhill Police Officers' Retirement Plan

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 City of Lauderhill Police Officers' Retirement Plan (the "Plan") which comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated February 10, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plan'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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 entity'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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lauderhill, Florida  
February 10, 2020