



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

**Financial Statements  
Years Ended September 30, 2013 and 2012**



**Goldstein Schechter Koch**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**City of Lauderhill Police Officers' Retirement Plan**  
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## **Independent Auditors' Report**

Board of Trustees  
City of Lauderhill Police Officers' Retirement Plan  
Lauderhill, Florida

We have audited the accompanying financial statements of the City of Lauderhill Police Officers' Retirement Plan (the "Plan"), which comprise the statements of plan net position as of September 30, 2013 and 2012, and the related statements of changes in plan net position for the years then ended and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



**Independent Auditors' Report**  
**(continued)**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Lauderhill Police Officers' Retirement Plan as of September 30, 2013 and 2012, and the related statements of changes in plan 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***

United States generally accepted accounting principles require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States or 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 my assurance.

***Supplementary Information***

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

*Goldstein Schechter Koch, P.A.*

Hollywood, Florida  
January 8, 2014

# *Lauderhill Police Officers' Retirement System*

C/O Precision Pension Administration, Inc.  
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## **Management's Discussion and Analysis** **(Required Supplementary Information – Unaudited)** **September 30, 2013 and 2012**

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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, 2013 and 2012. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

### ***Financial Highlights***

- Plan assets exceeded liabilities at the close of the fiscal years ended September 30, 2013 and 2012 by \$42,145,078 and \$34,026,905, respectively, (reported as net position held in trust for pension benefits). The increase of \$8,118,173 and \$7,943,703, of the respective years has resulted primarily from changes in the fair value of the Plan's investments due to volatile financial markets.
- The Plan's funded ratio, a comparison of actuarial value of assets to actuarial accrued liability, changed from 76.5% as of the October 1, 2010 valuation to 69.5% as of the October 1, 2011 valuation to 71.2% as of the October 1, 2012 valuation.
- Receivables at September 30, 2013 were greater than receivables at September 30, 2012 by \$115,424 (or 58.3%) due primarily to an increase in receivable for securities sold.

Receivables at September 30, 2012 were greater than receivables at September 30, 2011 by \$83,681 (or 73.2%) due primarily to an increase in member contributions receivable and receivable for securities sold.

- Liabilities at September 30, 2013 were greater than liabilities at September 30, 2012 by \$126,412 (or 23.9%) due primarily to an increase in payable for securities purchased.

Liabilities at September 30, 2012 were greater than liabilities at September 30, 2011 by \$294,144 (or 125.7%) due primarily to an increase in deferred retirement option plan payable.

- For the fiscal year ended September 30, 2013, City contributions to the Plan increased by \$112,643 (or 4.8%) based on the actuarial valuation. Actual City contributions were \$2,459,161 and \$2,346,518 for 2013 and 2012, respectively.

For the fiscal year ended September 30, 2012, City contributions to the Plan increased by \$299,192 (or 14.6%) based on the actuarial valuation. Actual City contributions were \$2,346,518 and \$2,047,326 for 2012 and 2011, respectively.

## **Management's Discussion and Analysis**

**(Required Supplementary Information – Unaudited)**  
**September 30, 2013 and 2012**

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### ***Financial Highlights - continued***

- For the fiscal year ended September 30, 2013, member contributions including buybacks decreased by \$677,138 (or 39.2%). Actual member contributions were \$995,578 and \$1,100,462 for 2013 and 2012, respectively, and buybacks were \$54,849 and \$627,103 for 2013 and 2012, 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, 2012, member contributions including buybacks increased by \$576,378 (or 50.1%). Actual member contributions were \$1,100,462 and \$925,555 for 2012 and 2011, respectively, and buybacks were \$627,103 and \$225,632 for 2012 and 2011, respectively. Member contributions have fluctuated from year to year, based on the number of active members and salary.

- For the fiscal year ended September 30, 2013, net investment income was \$5,463,866 compared to \$4,735,524 for fiscal year ended September 30, 2012. Actual results were \$4,165,726 and \$3,858,750 of net appreciation in fair value of investments for 2013 and 2012, respectively, and \$1,421,871 and 1,011,341 of income from interest and dividends for 2013 and 2012, respectively. Deferred retirement option plan participants' earnings were \$22,344 and \$24,147 for 2013 and 2012, respectively. Investment expenses increased by \$13,373 (or 12.1%).

For the fiscal year ended September 30, 2012, net investment income was \$4,735,524 compared to a loss of (\$1,158,704) for fiscal year ended September 30, 2011. Actual results were \$3,858,750 and (\$2,425,020) of net appreciation (depreciation) in fair value of investments for 2012 and 2011, respectively, and \$1,011,341 and \$1,379,187 of income from interest and dividends for 2012 and 2011, respectively. Deferred retirement option plan participants' earnings were \$24,147 and \$3,739 for 2012 and 2011, respectively. Investment expenses increased by \$1,288 (or 1.2%).

- For the fiscal year ended September 30, 2013, benefit payments and refunds of contributions increased by \$11,885 (1.1%).

For the fiscal year ended September 30, 2012, benefit payments and refunds of contributions increased by \$326,426 (or 45.8%).

- For the fiscal year ended September 30, 2013, administrative expenses decreased \$15,503 (or 11.9%) from 2012 due primarily to a decrease in fees for professional services.

For the fiscal year ended September 30, 2012, administrative expenses increased \$21,746 (or 20.0%) from 2011 due primarily to an increase in fees for professional services.

### ***Plan Highlights***

For the year ending September 30, 2013, the total return of the portfolio was 16.3%. Actual net returns from investments were net investment income of \$5,463,866 in 2013 compared with net investment income of \$4,735,524 in 2012.

For the year ending September 30, 2012, the total return of the portfolio was 17.6%. Actual net returns from investments were net investment income of \$4,735,524 in 2012 compared with net investment loss of (\$1,158,704) in 2011.

# **Management's Discussion and Analysis**

## **(Required Supplementary Information – Unaudited)**

### **September 30, 2013 and 2012**

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#### ***Overview of the Financial Statements***

The basic financial statements include the Statements of Plan Net Position and Statements of Changes in Plan 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 two types of required supplementary schedules, which provide historical trend information about the Plan's funding. They two types of schedules include a schedule of funding progress and a schedule of contributions by employer and other contributing entity.

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 Plan Net Position* presents information that includes all of the Plan's assets and liabilities, with the balance representing the Net Position Held in Trust for Pension Benefits. 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 Plan 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 are also two *Required Supplementary Schedules* included in this report as required by the Governmental Accounting Standards Board. The *Schedule of Funding Progress* presents historical trend information about the actuarially determined funded status of the Plan from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due. The *Schedule of Contributions by Employer and Other Contributing Entity* presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented.

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

**Management's Discussion and Analysis**  
**(Required Supplementary Information – Unaudited)**  
**September 30, 2013 and 2012**

***Statements of Plan Net Position***

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

	<b>2013</b>	2012	2011
Cash and cash equivalents	\$ 1,477,806	\$ 1,063,129	\$ 829,624
Receivables	313,481	198,057	114,376
Investments	<b>41,008,380</b>	33,293,896	25,373,235
Total assets	<b>42,799,667</b>	34,555,082	26,317,235
Liabilities	<b>654,589</b>	528,177	234,033
Net position held in trust for pension benefits	<b>\$ 42,145,078</b>	\$ 34,026,905	\$ 26,083,202

***Statements of Changes in Plan Net Position***

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

	<b>2013</b>	2012	2011
<b>Additions:</b>			
Contributions			
City	\$ 2,459,161	\$ 2,346,518	\$ 2,047,326
Members	1,050,427	1,727,565	1,151,187
State	310,332	303,327	285,072
Total	<b>3,819,920</b>	4,377,410	3,483,585
Net investment income (loss)	<b>5,463,866</b>	4,735,524	(1,158,704)
Total additions	<b>9,283,786</b>	9,112,934	2,324,881
<b>Deductions:</b>			
Pension benefits paid	1,048,524	856,954	563,461
Refund of contributions	2,113	181,798	148,865
Administrative expenses	114,976	130,479	108,733
Total deductions	<b>1,165,613</b>	1,169,231	821,059
Net increase	<b>8,118,173</b>	7,943,703	1,503,822
Net position held in trust for pension benefits at beginning of year	<b>34,026,905</b>	26,083,202	24,579,380
Net position held in trust for pension benefits at end of year	<b>\$ 42,145,078</b>	\$ 34,026,905	\$ 26,083,202

The Plan's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation.

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



## Management's Discussion and Analysis (Required Supplementary Information – Unaudited) September 30, 2013 and 2012

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### *Asset Allocation*

At the end of the fiscal year ended September 30, 2013, the domestic equity portion comprised 57.0% (\$24,213,544) of the total portfolio. The allocation to fixed income securities was 21.0% (\$8,931,674) while cash and cash equivalents comprised 3.5% (\$1,477,806). The portion of investments allocated to international equity, note receivable and real estate was \$5,775,522, \$1,000,000 and \$1,087,640 or 13.6%, 2.4%, and 2.5%, respectively of the total portfolio.

At the end of the fiscal year ended September 30, 2012, the domestic equity portion comprised 53.4% (\$18,333,496) of the total portfolio. The allocation to fixed income securities was 27.7% (\$9,533,701) while cash and cash equivalents comprised 3.1% (\$1,063,129). The portion of investments allocated to international equity and note receivable was \$4,426,699 and \$1,000,000 or 12.9% and 2.9%, respectively of the total portfolio.

The target asset allocation as of September 30, 2013 and 2012 was as follows:

	<b>2013</b>	2012
Domestic equity securities	<b>45%</b>	45%
Fixed income securities	<b>30%</b>	30%
Foreign equity securities	<b>15%</b>	15%
Absolute return	<b>10%</b>	10%

### *Contacting the Plan's Financial Management*

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

**City of Lauderdale Police Officers' Retirement Plan**  
**Statements of Plan Net Position**  
**September 30, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 1,477,806	\$ 1,063,129
Receivables:		
Member contributions	29,164	87,160
City contributions	-	-
Receivable for securities sold	247,508	52,789
Interest and dividends	36,809	58,108
Total receivables	313,481	198,057
Investments at fair value:		
Common stocks	15,105,048	13,146,545
Absolute return equity funds	9,108,496	5,186,951
Domestic fixed income funds	8,931,674	9,533,701
International equity funds	5,775,522	4,426,699
Note receivable	1,000,000	1,000,000
Real estate fund	1,087,640	-
Total investments	41,008,380	33,293,896
<b>Total assets</b>	<b>42,799,667</b>	<b>34,555,082</b>
<b>Liabilities</b>		
Accounts payable	25,759	34,672
Prepaid city contributions	7,233	-
Payable for securities purchased	445,489	-
Deferred retirement option plan payable	176,108	493,505
<b>Total liabilities</b>	<b>654,589</b>	<b>528,177</b>
<b>Net position held in trust for pension benefits</b>	<b>\$ 42,145,078</b>	<b>\$ 34,026,905</b>
<b>(a schedule of funding progress is presented on page 20)</b>		

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

**City of Lauderdale Police Officers' Retirement Plan**  
**Statements of Changes in Plan Net Position**  
**For the Years Ended September 30, 2013 and 2012**

	2013	2012
<b>Additions:</b>		
Contributions:		
City	\$ 2,459,161	\$ 2,346,518
Members	1,050,427	1,727,565
State	310,332	303,327
<b>Total contributions</b>	<b>3,819,920</b>	<b>4,377,410</b>
Investment income:		
Net appreciation in fair value of investments	4,165,726	3,858,750
Interest and dividends	1,421,871	1,011,341
Other	22,406	-
<b>Total investment income</b>	<b>5,610,003</b>	<b>4,870,091</b>
Less: Investment expenses	123,793	110,420
Deferred retirement option plan participants' earnings	22,344	24,147
<b>Net investment income</b>	<b>5,463,866</b>	<b>4,735,524</b>
<b>Total additions</b>	<b>9,283,786</b>	<b>9,112,934</b>
<b>Deductions:</b>		
Pension benefits paid	1,048,524	856,954
Refund of contributions	2,113	181,798
Administrative expenses	114,976	130,479
<b>Total deductions</b>	<b>1,165,613</b>	<b>1,169,231</b>
<b>Net increase</b>	<b>8,118,173</b>	<b>7,943,703</b>
<b>Net position held in trust for pension benefits</b>		
<b>Beginning of year</b>	<b>34,026,905</b>	<b>26,083,202</b>
<b>End of year</b>	<b>\$ 42,145,078</b>	<b>\$ 34,026,905</b>

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

# City of Lauderdale Police Officers' Retirement Plan

## Notes to Financial Statements

September 30, 2013 and 2012

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### Note 1 - Description of the Plan

#### *Organization*

The City of Lauderdale Police Officers' Retirement Plan (the "Plan"), is a single-employer defined benefit pension plan established by the City of Lauderdale, 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 financial report as part of the City's financial reporting entity.

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>2012</u>	<u>2011</u>
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits, but not yet receiving them.	<u>27</u>	<u>25</u>
Active plan participants:		
Vested	<u>83</u>	<u>79</u>
Nonvested	<u>26</u>	<u>31</u>
<b>Total active participants</b>	<b><u>109</u></b>	<b><u>110</u></b>

#### *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.

##### Tier One members

Any member 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.

# City of Lauderdale Police Officers' Retirement Plan

## Notes to Financial Statements

September 30, 2013 and 2012

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

#### *Service Retirement Benefits - continued*

##### Tier One members - continued

Upon normal retirement, a member will receive a monthly pension amount equal to 3% of Final Monthly Compensation (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. Final Monthly Compensation shall mean a member's average monthly compensation from the City during the 5 highest years out of the last 10 years of employment. 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.

##### 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 Final Monthly Compensation 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. Final Monthly Compensation shall mean a member's average total compensation from the City during the 5 highest years out of the last 10 years of employment.

#### *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 Lauderdale Police Officers' Retirement Plan

## Notes to Financial Statements

September 30, 2013 and 2012

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

#### *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 a 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.

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.

# City of Lauderdale Police Officers' Retirement Plan

## Notes to Financial Statements

September 30, 2013 and 2012

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

#### *Cash Equivalents*

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

#### *Investments*

Investments are recorded at fair value in the Statement of Plan 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:

- **Debt securities:** Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporations, securitized offerings backed by residential and commercial mortgages, foreign debt securities and note receivable. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.
- **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, 2013 and 2012. 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, 2013 and 2012. 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.

Unrealized gains and losses are presented as net appreciation in fair value of investments on the statement of changes in plan 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.

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

# City of Lauderdale Police Officers' Retirement Plan

## Notes to Financial Statements

September 30, 2013 and 2012

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

#### *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.

#### *Recently Adopted Accounting Pronouncements*

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

#### *Subsequent Events*

Management has evaluated subsequent events through January 8, 2014, the date which the financial statements were available for issue.

### Note 3 – Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2012, the most recent actuarial valuation date as follows, (dollar amounts in thousands):

<b>Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as % of Covered Payroll</b>
10/01/12	\$ 34,645	\$ 48,670	\$ 14,025	71.2%	\$ 8,844	158.6%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.



# City of Lauderdale Police Officers' Retirement Plan

## Notes to Financial Statements

September 30, 2013 and 2012

### Note 3 – Funded Status and Funding Progress - continued

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2012
Actuarial cost method	Entry age normal level percent
Amortization method	Layered amortization
Remaining amortization period	20 - 30 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 assumptions:

Investment rate of return*	7.75%
Projected salary increases*	6.00%
Cost of living adjustments	Variable 13 <sup>th</sup> check, only if plan has cumulative net actuarial gain
*Includes inflation at	3.5%

### Note 4 – Contributions

*Actual Contributions*

The actual City and State contributions amounted to \$2,769,493 and \$2,649,845, for the years ended September 30, 2013 and 2012, respectively. The actual amount of annual covered payroll for the years ended September 30, 2013 and 2012 were approximately \$9,956,000 and \$11,005,000, respectively. City and State contributions consisted of the following for the years ended September 30:

2013		
	Amount	Percent of Actual Covered Annual Payroll
City contributions	\$ 2,459,161	24.70%
State contributions	310,332	3.12
<b>Total City and State</b>	<b>\$ 2,769,493</b>	<b>27.82%</b>

2012		
	Amount	Percent of Actual Covered Annual Payroll
City contributions	\$ 2,346,518	21.32%
State contributions	303,327	2.76
<b>Total City and State</b>	<b>\$ 2,649,845</b>	<b>24.08%</b>

For the fiscal years ended September 30, 2013 and 2012, member contributions were \$995,578 and \$1,100,462, respectively and buybacks were \$54,849 and \$627,103, respectively.

# City of Lauderdale Police Officers' Retirement Plan

## Notes to Financial Statements

September 30, 2013 and 2012

### Note 4 – Contributions - continued

#### *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, 2013 and 2012, the Plan selected to use the fixed dollar contribution amount.

The contributions required from the City and the State for the year ended September 30, 2013 and 2012, were originally actuarially determined by the October 1, 2012 and 2011 (unapproved by the State of Florida) valuations to be \$2,769,493 and \$2,561,522, respectively. On May 2013, the October 1, 2011 actuarial valuation was revised and approved by the State of Florida, changing the contributions required for 2012 to \$2,629,422. The actuarially computed annual covered payroll used in the October 1, 2012 and 2011 valuations was approximately \$8,844,000 and \$8,819,000, respectively.

The amount covers the following:

<b>2013</b>		
	<b>Amount</b>	<b>Percent of Actual Annual Covered Payroll</b>
<b>Normal cost</b>	\$ 1,565,487	15.72%
<b>Amortization of the unfunded liability</b>	1,204,006	12.09
<b>Total required from City and State</b>	\$ 2,769,493	27.82%

  

<b>2012</b>		
	<b>Amount</b>	<b>Percent of Actual Annual Covered Payroll</b>
Normal cost	\$ 1,524,562	13.85%
Amortization of the unfunded liability	1,036,960	9.42
Total required from City and State	\$ 2,561,522	23.27%

### Note 5 – 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 plan net position. Cash and cash equivalents include money market accounts at September 30, 2013 and 2012.

#### *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.

# City of Lauderdale Police Officers' Retirement Plan

## Notes to Financial Statements

September 30, 2013 and 2012

### Note 5 – Deposits and Investment Risk Disclosures – continued

#### *Investment Authorization - continued*

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 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.

#### *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 as of September 30, 2013 and 2012 are as follows:

	2013	2012
Domestic equity securities	45%	45%
Fixed income securities	20%	30%
International equity securities	15%	15%
Absolute return	10%	10%
Real estate	10%	0%

#### *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:

Investment Type	2013 Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
<b>Bond funds</b>	<b>\$8,931,674</b>	\$ -	\$ -	<b>\$ 8,931,674</b>	\$ -
<b>Total fixed income securities</b>	<b>\$8,931,674</b>	\$ -	\$ -	<b>\$ 8,931,674</b>	\$ -

# City of Lauderdale Police Officers' Retirement Plan

## Notes to Financial Statements

September 30, 2013 and 2012

### Note 5 – Deposits and Investment Risk Disclosures – continued

#### *Interest Rate Risk - continued*

Investment Type	2012 Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Bond funds	\$ 9,533,701	\$ -	\$ -	\$ 5,065,981	\$ 4,467,720
Total fixed income securities	\$ 9,533,701	\$ -	\$ -	\$ 5,065,981	\$ 4,467,720

#### *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	2013		2012	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
AAA	\$ 2,269,724	25.4%	\$ 2,887,609	30.2%
AA	345,431	3.9	786,626	8.3
A	1,054,947	11.8	1,304,805	13.7
BBB	2,485,202	27.8	3,523,901	37.0
BB	934,975	10.5	604,734	6.3
B	729,178	8.2	101,320	1.1
Below B	1,112,217	12.5	324,706	3.4
Total fixed income securities	\$ 8,931,674	100.0%	\$ 9,533,701	100.0%

#### *Concentration of Credit Risk*

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net assets at September 30, 2013 and 2012.

#### *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.

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

## **Notes to Financial Statements**

**September 30, 2013 and 2012**

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### **Note 5 – Deposits and Investment Risk Disclosures – continued**

#### *Custodial Credit Risk - continued*

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

### **Note 6 – Related Party Transaction**

As of September 30, 2013 and 2012, the Plan has a note receivable from the City of Lauderdale Housing Authority and the City as guarantor, the Plan Sponsor, for \$1,000,000. The note accrues interest at 7.0% per annum. Commencing on July 1, 2010 and continuing on the first day of each quarter thereafter, consecutive quarterly payments of interest only on the outstanding principal balance shall be made. The note matures on July 1, 2020 at which time the remaining indebtedness, if not paid sooner, shall be due.

During the fiscal year ended September 30, 2013 and 2012, the Plan recorded interest income of \$70,000 and \$70,000, respectively. Included in interest and dividends receivable is \$17,500 and \$17,500 in accrued interest due on the note at September 30, 2013 and 2012, respectively.

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

## **Required Supplementary Information**

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

**Required Supplementary Information**

**Schedule of Funding Progress and Schedule of Contributions by Employer and Other Contributing Entity (Unaudited)**

**September 30, 2013**

**Schedule "1" - Schedule of Funding Progress (dollar amounts in thousands) <sup>(A)</sup>**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
10/01/07	\$ 16,348	\$ 21,747	\$ 5,399	75.2%	\$ 8,103	66.6%
10/01/08	19,775	25,153	5,377	78.6	7,678	70.0
10/01/09	23,088	30,634	7,546	75.4	8,751	86.2
10/01/10	27,137	35,483	8,346	76.5	9,149	91.2
10/01/11	29,530	42,473	12,943	69.5	8,819	146.8
10/01/12	34,645	48,670	14,025	71.2	8,844	158.6

<sup>(A)</sup> Revised 10/1/11 valuation due to a change in actuarial assumptions and plan provisions as a result of ordinance 110-09-170.

**Schedule "2" - Schedule of Contributions by Employer and Other Contributing Entity**

<b>Year Ended September 30,</b>	<b>Annual Required Contribution <sup>(A)</sup></b>	<b>Percentage Contributed</b>
2008	\$ 2,095,909	100%
2009	2,076,113	100
2010	2,320,278	100
2011	2,306,698	100
2012	2,629,422	100
2013	2,769,493	100

## **Other Supplementary Schedules**



**City of Lauderdale Police Officers' Retirement Plan**  
**Other Supplementary Schedules of Investment Expenses and Administrative Expenses**  
**For the Years Ended September 30, 2013 and 2012**

	2013	2012
<b>Schedule "1" - Schedule of Investment Expenses</b>		
Financial management expenses:		
ICC Capital Management	\$ 76,075	\$ 62,277
Total financial management expenses	76,075	62,277
Investment consultant fees:		
Southeastern Advisory Services, Inc.	37,221	30,104
Investment custodial fees:		
Salem Trust	10,497	18,039
Total investment custodial fees	10,497	18,039
Total investment expenses	\$ 123,793	\$ 110,420

<b>Schedule "2" - Schedule of Administrative Expenses</b>		
Professional services:		
Actuarial	\$ 27,520	\$ 33,570
Administrator	36,000	36,000
Audit	16,500	17,000
Legal	25,634	28,448
Total professional services	105,654	115,018
Other:		
Conferences	4,680	10,106
Insurance and other	4,642	5,355
Total other	9,322	15,461
Total administrative expenses	\$ 114,976	\$ 130,479



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