

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM

A PENSION TRUST FUND OF THE CITY OF FORT LAUDERDALE, FLORIDA

FINANCIAL STATEMENTS
For the fiscal year ended September 30, 2018

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM

CONTENTS

Independent Auditor's Report.....	1-2
Management's Discussion and Analysis (Required Supplementary Information)	3-6
Basic Financial Statements	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Financial Statements.....	9-18
Required Supplementary Information	
Schedule of Changes in the Employer Net Pension Liability (Asset) and Related Ratios	19
Schedule of Employer Contributions	20
Schedule of Investment Returns	21
Reporting Section	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	22-23
Schedule of Findings and Responses.....	24

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and Plan Administrator
City of Fort Lauderdale General Employees' Retirement System
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Fort Lauderdale General Employees' Retirement System (the Plan), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan, as of September 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Comparative Information

We have previously audited the Plan's September 30, 2017 financial statements, and we expressed an unmodified audit opinion on the financial statements in our report dated March 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the employer net pension liability (asset) and related ratios, schedule of employer contributions, and schedule of investment returns on pages 3 to 6 and 19 to 21, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



Crowe LLP

Fort Lauderdale, Florida
March 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

Management's discussion and analysis of the City of Fort Lauderdale General Employees' Retirement System (GERS or the Plan) financial performance provides an overview of the Plan's financial activities for the years ended September 30, 2018 and 2017. Please read it in conjunction with the financial statements, notes to the financial statements and required supplementary information which follow this discussion.

Financial Highlights

- Plan assets exceeded its liabilities at the close of the years ended September 30, 2018 and 2017 by approximately \$684.3 million and \$654.2 million, respectively (reported as net position restricted for pension benefits). Net position restricted for pension benefits is held in trust to meet future benefit payments.
- Total return on investment for the Plan was 9.03% and 15.05% for the years ended September 30, 2018 and 2017, respectively.
- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of September 30, 2018 and 2017, (dates of the latest actuarial valuations), the funded ratio was approximately 101.39% and 99.23%, respectively.
- Additions to Plan net position for the years ended September 30, 2018 and 2017 were approximately \$71.4 and \$106.3 million, respectively, and are comprised of contributions of \$13.2 million and \$17.6 million, respectively, with net investment income of \$58.2 million and \$88.7 million, respectively.
- Deductions to Plan net position for the years ended September 30, 2018 and 2017 were approximately \$41.4 million and \$39.4 million, respectively, and are comprised primarily of benefit payments of approximately \$40.8 million and \$38.8 million, respectively.

Overview of the Financial Statements

The Plan was established to administer a defined benefit pension plan for all permanent City of Fort Lauderdale, Florida (the City) employees except for firefighters and police officers. The Plan's financial statements are comprised of a Statement of Fiduciary Net Position, a Statement of Changes in Fiduciary Net Position, and Notes to Financial Statements. Also included is certain required supplementary information. These financial statements report information about the Plan as a whole and about its financial condition that should help answer the question: Is the Plan, as a whole, better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the economic resource's measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Fiduciary Net Position presents information on the assets and liabilities and the resulting net position restricted for pension benefits. This statement reflects the Plan's investments along with receivables and other assets and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the Plan's net position restricted for pension benefits changed during the fiscal year. It reflects contributions by employees and the employer (City), along with deductions for retirement benefits, refunds, and administrative expenses.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

(Continued)

Overview of the Financial Statements (Continued)

The required supplementary information presents a Schedule of Changes in The Employer Net Pension Liability (Asset) and Related Ratios, a Schedule of Employer Contributions, and a Schedule of Investment Returns of the plan along with a discussion of changes in actuarial assumptions and methods.

Summary of Fiduciary Net Position

The following condensed comparative Summary of Fiduciary Net Position demonstrates the investment position of the Plan at September 30:

	2018	2017
Cash	\$ 11,973,590	\$ 150,291
Investment	687,360,179	656,845,892
Receivables	8,526,395	2,655,709
Deposits	-	2,401
Capital Assets	18	741
Total Assets	<u>707,860,182</u>	<u>659,655,034</u>
Liabilities	<u>23,583,706</u>	<u>5,461,557</u>
Net Position Restricted for Pension Benefits	<u>\$ 684,276,476</u>	<u>\$ 654,193,477</u>

The Plan's total assets as of September 30, 2018 and 2017 were approximately \$707.9 million and \$659.7 million, respectively, and were mostly comprised of short-term investments, equity and fixed income investments, and receivables related to investments. For the year ended September 30, 2018, total assets increased approximately \$48.2 million or 7.3% from the prior year primarily due to investment earnings.

Total liabilities as of September 30, 2018 and 2017 were approximately \$23.6 million and \$5.5 million, respectively, and were mostly comprised of accruals for pending trades and accruals for expenses made by the City of Fort Lauderdale on behalf of the Plan. Total liabilities at September 30, 2018 increased by approximately \$18.1 million or 331.8% from 2017 mostly due to an increase in pending trades as of year-end.

Plan assets exceeded its liabilities at the close of the years ended September 30, 2018 and 2017, by approximately \$684.3 million and \$654.2 million, respectively. For the year ended September 30, 2018, net position restricted for pension benefits increased approximately \$30.1 million or 4.6% from the prior year primarily due to investment earnings.

(Continued)

Summary of Changes In Fiduciary Net Position

The Summary of Changes in Fiduciary Net Position, displays the effect of pension fund transactions that occurred during the fiscal year, where Additions - Deductions = Net Increase (or decrease) in Net Position. The table below reflects a condensed comparative summary of the changes in net position and reflects the activity of the Plan and for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Additions to net assets attributed to:		
Contributions		
Employer	\$ 10,459,835	\$ 14,650,881
Participants	<u>2,741,096</u>	<u>2,978,329</u>
Total	13,200,931	17,629,210
Net Investment Income	<u>58,237,325</u>	<u>88,659,515</u>
Total Additions	<u>71,438,256</u>	<u>106,288,725</u>
Deductions from net assets attributed to:		
Benefits Paid	40,797,248	38,843,114
Refund of Contributions	85,828	90,430
Administrative Expenses	<u>472,181</u>	<u>445,475</u>
Total Deductions	<u>41,355,257</u>	<u>39,379,019</u>
Net Increase (Decrease)	30,082,999	66,909,706
Net Position Restricted for Pension Benefits		
Beginning of year	<u>654,193,477</u>	<u>587,283,771</u>
End of year	<u>\$ 684,276,476</u>	<u>\$ 654,193,477</u>

Revenues – Additions To Plan Net Position

The following condensed comparative summary demonstrates the additions to the Plan and percentage change for the years ended September 30 (In thousands):

	<u>2018</u>	<u>2017</u>	Increase (Decrease)	Total Percentage Change
City Contributions	\$ 10,460	\$ 14,651	\$ (4,191)	-28.6%
Employee Contributions	2,741	2,978	(237)	-8.0%
Net Investment Income	<u>58,237</u>	<u>88,660</u>	<u>(30,422)</u>	-34.3%
Total Additions	<u>\$ 71,438</u>	<u>\$ 106,289</u>	<u>\$ (34,850)</u>	-32.8%

(Continued)

Revenues – Additions To Plan Net Position (Continued)

The reserves needed to finance retirement benefits are accumulated through the collection of contributions from the employees and the City and through earnings on investments. Contributions and net investment income, for years ended September 30, 2018 and 2017 totaled approximately \$71.4 million and \$106.3 million, respectively. Total contributions and net investment income for the year ended September 30, 2018 decreased from 2017 by approximately \$34.9 million or 32.8%. The decrease is primarily due to the significant deterioration in market conditions.

Net investment income for the year ended September 30, 2018 decreased from 2017 by approximately \$30.4 million due to a significant deterioration in market conditions.

Total City contributions for the year ended September 30, 2018 decreased from 2017 by approximately \$4.2 million or 28.6% attributable to lower than expected salary increases and lower than expected investment earnings on the actuarial value of assets.

Expenses - Deductions From Plan Net Position

The table below reflects a condensed comparative summary of the deductions of the Plan and percentage change for the years ended September 30 (in thousands):

	2018	2017	Increase (Decrease)	Total Percentage Change
Pension Benefits Paid	\$ 40,797	\$ 38,843	\$ 1,954	5.0%
Refund of Contributions	86	90	(5)	-5.1%
Administrative Expenses	472	445	27	6.0%
Total Deductions	<u>\$ 41,355</u>	<u>\$ 39,379</u>	<u>\$ 1,976</u>	5.0%

The primary deductions of the Plan include the payment of pension benefits to retirees and beneficiaries, refund of contributions to former members, and administrative expenses. Total deductions for the years ended September 30, 2018 and 2017 were approximately \$41.4 million and \$39.4 million, respectively. Total deductions for the year ended September 30, 2018 was an increase of approximately 5.0% from 2017.

The pension benefits paid to retirees and beneficiaries increased for the year ended September 30, 2018 from 2017 by approximately \$2.0 million or 5.0% due to an increase in number of retirees.

Retirement System as a Whole

With the exception of the fiscal years ended 2008, 2011, and 2015 the Plan's net position has experienced increases over the last 10 years. Management believes, and actuarial studies concur, that the Plan is in a financial position to meet its obligations. We believe the current financial position will continue to improve due to a prudent investment program, cost controls, strategic planning, and the City's continued funding of the required contributions at 100%.

Contacting The Plan's Financial Management

This financial report is designed to provide the Board of Pension Trustees, our members, taxpayers, investors, and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the funds invested in the GERS. If you have any questions about this report or need additional financial information, contact the Plan Administrator, City of Fort Lauderdale General Employees' Retirement System, 316 NE Fourth Street, Suite 2, Fort Lauderdale, FL 33301.

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 11,973,590	\$ 150,291
Investments:		
U.S. treasury securities	59,415,842	28,258,716
U.S. government agency obligations	27,011,676	38,587,049
Corporate bonds	15,306,932	10,828,602
Mutual funds and other	101,125,263	114,079,256
Commingled trust fund	112,588,720	100,783,694
Collective interest trust	17,316,582	52,764,323
Private equity	11,815,830	5,351,908
Common stock	254,197,585	242,989,380
Real estate	88,581,749	63,202,964
Total Investments	<u>687,360,179</u>	<u>656,845,892</u>
Receivables		
Unsettled trades	7,847,377	2,012,660
Accrued dividends and interest	679,018	643,049
Total Receivables	<u>8,526,395</u>	<u>2,655,709</u>
Deposits	-	2,401
Capital assets (net of accumulated depreciation)	<u>18</u>	<u>741</u>
Total Assets	<u>707,860,182</u>	<u>659,655,034</u>
LIABILITIES		
Unsettled trades	20,198,880	2,017,154
Accounts payable and accrued liabilities	505,910	919,696
Due to the City of Fort Lauderdale	2,878,916	2,512,305
Deposits	-	12,402
Total Liabilities	<u>23,583,706</u>	<u>5,461,557</u>
NET POSITION		
Net position restricted for DROP benefits	2,688,307	2,463,052
Net position restricted for pension benefits	<u>681,588,169</u>	<u>651,730,425</u>
	<u>\$ 684,276,476</u>	<u>\$ 654,193,477</u>

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

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

	2018	2017
ADDITIONS		
Contributions		
Employer	\$ 10,459,835	\$ 14,650,881
Plan members	2,741,096	2,978,329
Total Contributions	13,200,931	17,629,210
Investment Income		
Net appreciation (depreciation)	48,127,585	80,935,503
Interest	9,061,612	1,939,894
Dividends	2,359,838	6,766,597
Real estate income	2,001,682	1,962,748
Other income	139,501	150,206
	61,690,219	91,754,948
Less: investment expenses	3,452,894	3,095,433
Net Investment Income	58,237,325	88,659,515
 Total Additions	 71,438,256	 106,288,725
DEDUCTIONS		
Benefits Paid		
Retirement	37,478,326	35,707,269
Disability	347,470	323,515
Death	2,971,452	2,812,330
Total Benefits Paid	40,797,248	38,843,114
Refund of Contributions	85,828	90,430
Administrative Expenses	472,181	445,475
	41,355,257	39,379,019
Total Deductions	41,355,257	39,379,019
Net Increase in Net Position	30,082,999	66,909,706
NET POSITION		
Beginning	654,193,477	587,283,771
Ending	\$ 684,276,476	\$ 654,193,477

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

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2017)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – These financial statements represent only the City of Fort Lauderdale (the City) General Employees' Retirement System (the Plan). The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

Basis of Accounting - The accompanying financial statements of the City of Fort Lauderdale General Employees' Retirement System (the Plan) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest and dividends are recorded as earned.

Valuation of Investments and Realized Gains and Losses - Investments are reported at fair value. 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. Securities traded on national or international exchanges are valued at the last reported sales price or current exchange rates. Investments that do not have an established market are reported at estimated fair value. Net appreciation or depreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. The fair value of real estate investments have been estimated based upon latest appraisal information. Commingled funds that do not have an established market are reported at the net asset value of shares owned at the end of the period. Purchases and sales of securities are recorded on the trade-date basis. Dividends are recorded on the ex-dividend date.

Within certain limitations as specified in the Plan, the investment policy is determined by the Board of Trustees and is implemented by the Plan's investment managers. The investment managers are monitored by a financial consultant.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Comparative Information - The balances shown for the fiscal year ended September 30, 2017 in the accompanying financial statements and notes to financial statements are included to provide a basis for comparison with 2018 only. Accordingly, the 2018 financial statements and notes to financial statements are not intended to present all information necessary for a fair presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Plan's financial statements and notes to financial statements for the fiscal year ended September 30, 2017, from which the information was derived.

(Continued)

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2017)

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

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

Plan Description

The General Employees' Retirement System is a single-employer defined benefit plan administered by a seven-member Board of Trustees plus a non-voting Ex-Officio Member, which covers a majority of City of Fort Lauderdale (the City) general employees hired prior to October 1, 2007 except police and firefighters. On March 4, 2008, the City passed Ordinance No. C-08-06 effectively closing the Plan to new entrants. The latest actuarial valuation prior to September 30, 2018 is dated September 30, 2017.

Membership in the Plan as of September 30, 2018, the date of the latest actuarial valuation, consists of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,409
Inactive plan members entitled to but not yet receiving benefits	101
Active plan members	<u>716</u>
Total	<u><u>2,226</u></u>

Pension Benefits

Under the vesting provisions of the Plan, most Plan members are entitled to 100% of normal retirement benefits after 5 years of service beginning at age 55 or after 30 years of service, whichever occurs first. Certain Plan members hired on or after October 1, 1983 electing reduced benefits are entitled to 100% of normal retirement benefits after 10 years of service beginning at age 65. Members who terminate prior to vesting are entitled to a refund of their contributions plus interest at 3% per year.

Members who continue in employment past normal retirement may either accrue larger pensions or freeze their accrued benefit and enter the Deferred Retirement Option Program (DROP), see Note 4. Each participant in the DROP has an account credited with benefits not received and investment earnings. Participation in the DROP must end no later than 36 months after normal retirement. These benefit provisions and all other requirements are established by City ordinance.

Contributions and Funding Policy

Plan members contribute 6% of their earnings to the Plan or, based on their date of hire, 4% if the employee elected to remain in a lower tier classification. The City is required to contribute the remaining amounts necessary to fund the Plan, based on an amount determined by the Plan's actuary as of September 30 each year. Employer contribution requirements for the fiscal year ended September 30, 2018 were based on the September 30, 2017 actuarial valuation. For the years ended September 30, 2018 and 2017, the City's contribution rate as a percentage of annual covered payroll was 23.17% and 30.85%, respectively.

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements for the Plan is the Entry Age Method.

(Continued)

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2017)**

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Cash and cash equivalents in the accompanying Statement of Fiduciary Net Pension is composed of the cash held with investment manager.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution; a government may not be able to recover deposits. At September 30, 2018, \$11,973,590 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department, but not in the Plan's name.

Authorized Investments

Investments permitted by the Plan's investment policy include Florida PRIME, U.S. Treasury securities, U.S. Government agency obligations, common and preferred stocks from domestic and foreign corporations, commingled trust funds, repurchase agreements, commercial paper, corporate bonds, banker's acceptances, state or local government taxable or tax exempt debt, real estate and real estate securities, money market funds invested in permitted securities and intergovernmental investment pools.

As of September 30, 2018, this portfolio consists of investments in U.S. Government agency obligations, mutual funds, commingled trust funds, corporate bonds, common and preferred stock and real estate.

Rate of Return

For the year ended September 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.03%. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

Interest Rate Risk

As of September 30, 2018, the Plan had the following fixed income securities and maturities in its portfolio:

Investment	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury securities	\$ 59,415,842	\$19,940,472	\$11,223,909	\$28,251,461	\$ -
U.S. Government agency obligations	27,011,676	18,721,731	1,191,440	4,495,344	2,603,161
Corporate bonds	15,306,932	-	12,740,507	2,566,425	-
	<u>\$ 101,734,450</u>	<u>\$38,662,203</u>	<u>\$25,155,856</u>	<u>\$35,313,230</u>	<u>\$ 2,603,161</u>

(Continued)

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2017)**

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. As a means of limiting its exposure to fair value losses, the investment policy looks to control impacts from interest rate risk in both rising and declining interest rate environments considering such factors as credit quality and duration for losses in rising rate environments, and credit quality in declining rate environments. The benchmarks are monitored and changed when warranted by investment market environment. Debt portfolios are structured and managed to produce returns based on risks inherent in the selected benchmarks.

Credit Risk

State law and the Plan's investment policy limits investments in bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided the corporation is listed on any one or more of the recognized national stock exchanges and in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service. The Plan's investment policy requires investments in corporate bonds or notes, general obligation and/or revenue bonds of state or local governments to be rated "A" or better by a nationally recognized rating service. All of these investments met this requirement.

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

	2018		2017	
	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio
U.S. Government Guaranteed*	\$ 86,427,518	84.95%	\$ 66,845,765	86.06%
Quality rating of credit risk debt securities by Fitch:				
AA-	2,411,580	2.37%	1,198,305	1.54%
A+	7,243,321	7.12%	3,717,576	4.79%
A	5,652,031	5.56%	5,912,721	7.61%
Total credit risk - debt securities	15,306,932	15.05%	10,828,602	13.94%
Total fixed income securities	<u>\$ 101,734,450</u>	<u>100.00%</u>	<u>\$ 77,674,367</u>	<u>100.00%</u>

* Obligations of the U.S. government or obligations explicitly or implicitly guaranteed by the U.S. Government are not considered to have credit risk and do not have purchase limitations.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in any one issuer that represent 5% or more of total net position or total investments require disclosure, excluding investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, and other pooled investments. The Plan utilizes limitations on securities of a single issuer to manage this risk.

As of September 30, 2018, one of the Plan's investments were held with any single issuer that represents 5% or more of the Plan's net position or total investments.

(Continued)

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2017)**

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value Measurement

In February 2015, the Governmental Accounting Standards Board issued Statement No. 72, "Fair Value Measurement and Application" addressing accounting and financial reporting issues related to fair value measurements GASB No. 72 defines fair value as the price that would be received to sell an asset.

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following measurements as of September 30, 2018:

	9/30/2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 59,415,842	\$ 59,415,842	\$ -	\$ -
US Government obligations	27,011,676	-	27,011,676	-
Corporate bonds	15,306,932	-	15,306,932	-
Total debt securities	<u>101,734,450</u>	<u>59,415,842</u>	<u>42,318,608</u>	<u>-</u>
Equity securities				
Common and preferred stock	254,197,585	254,197,585	-	-
Mutual funds	101,125,263	-	101,125,263	-
Total equity securities	<u>355,322,848</u>	<u>254,197,585</u>	<u>101,125,263</u>	<u>-</u>
Private Equity				
Secondaries funds	11,815,830	-	-	11,815,830
Total private equity	<u>11,815,830</u>	<u>-</u>	<u>-</u>	<u>11,815,830</u>
 Total investments by fair value level	 <u>468,873,128</u>	 <u>\$ 313,613,427</u>	 <u>\$ 143,443,871</u>	 <u>\$ 11,815,830</u>
Investments measured at the net asset value (NAV)				
Commingled Collective trusts	112,588,720			
Collective Interest Trust	17,316,582			
Real Estate & Timber	88,581,749			
Total investments measured at NAV	<u>218,487,051</u>			
 Total investments	 <u>\$ 687,360,179</u>			

(Continued)

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2016)**

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

U.S. Treasury Notes and Equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices in active markets for those securities. Local government municipal, corporate bonds, and mutual funds classified in level 2 of the fair value hierarchy are valued using a matrix pricing model. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Private equity funds classified in level 3 of the fair value hierarchy are valued using a market comparable company's technique.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Commingled trusts (1)	\$ 112,588,720	-	Daily	2 days
Collective interest fund (2)	17,316,582	-	Daily	Daily
Real estate funds (3)	88,581,749	-	Quarterly	92 days
Total investments measured at NAV	<u>\$ 218,487,051</u>			

1. Commingled trusts. This type includes investments in multiple trusts funds that invest in common stocks and their equivalents. The fair values of the investments in this type have been determined using the NAV per share of the investments.

2. Collective interest trust. This type includes collective investment funds that invest in short-term, high quality securities denominated in U.S. dollars. The fair values of the investments in this type have been determined using the NAV per share of the investments.

3. Real estate funds. This type includes four real estate funds that invest primarily in U.S. real estate and two timberland funds. The fair values of the investments in this type have been determined using third party appraisals. Distributions from the real estate funds will be received when income is generated. Distributions from the timberland funds will be received as income is generated and as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan has no exposure to foreign currency risk as all investments are denominated in US dollars as of September 30, 2018.

(Continued)

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2017)

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Real Estate Investments

The Plan purchased a property located at 4800 North Federal Highway (purchased in 2007 for approximately \$3.8 million) within the City. The Plan has entered into leasing agreements with various tenants at the 4800 North Federal Highway building. The property was sold during the year for \$2,650,000.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the Statement of Fiduciary Net Position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

NOTE 4 – DEFERRED RETIREMENT OPTION PROGRAM

The Plan offers a Deferred Retirement Option Program (DROP) for all eligible participants. Eligible members may apply to participate by applying to the Board of Trustees.

Upon a member's election to participate in the DROP, that member shall cease to be a member of the Plan and shall be precluded from any additional benefits under the Plan; accordingly, that member shall be considered retired. Monthly retirement benefits that would have been payable had the member retired and elected to receive monthly pension payments will be paid into the DROP and credited to the retired member. Payments into the DROP are made monthly for the period the retired member participates in the DROP, up to a maximum of 36 months. Payments into the DROP will earn interest at the Plan's actuarial rate of return (currently 7.4 %). On August 21, 2018, the City amended the ordinance as follows: Each DROP account shall accrue DROP earnings during the DROP period as follows:

- For i) eligible Members who are not employed in a position that is within the Supervisory/Professional Bargaining Unit, and ii) eligible Members who are employed in a position that is within the Supervisory/Professional Bargaining Unit who commence participation in the DROP prior to August 21, 2018, DROP earnings shall be computed at simple interest at the actuarially assumed rate of return.
- For Members of the Supervisory/Professional Bargaining Unit who commence participation in the DROP on or after August 21, 2018, DROP earnings shall be computed annually as follows:
 - At a rate of three percent (3%) if the net rate of investment return for the plan year during which the earnings are computed is less than three percent (3%).
 - At a rate equal to the Plan's actual net rate of investment return if the rate of investment return for the Plan year during which the earnings are computed is three percent (3%) or greater, but no greater than six percent (6%), for the Plan year during which the earnings are computed.
 - At a rate of six percent (6%) if the net rate of investment return for the Plan year during which the earnings are computed is greater than six percent (6%).

(Continued)

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2017)**

NOTE 4 – DEFERRED RETIREMENT OPTION PROGRAM (Continued)

Upon termination of employment, participants in the DROP will receive the balance of their account either in a lump-sum distribution or may be rolled over to a qualified retirement plan that accepts rollovers.

As of September 30, 2018 and 2017, there were 24 and 21 members enrolled under DROP respectively, and the balance in the DROP account was \$2,688,307 and \$2,463,052, respectively. These amounts are included in the total investment balance presented on the Statement of Fiduciary Net Position.

NOTE 5 – ADMINISTRATIVE EXPENSES

The City provides the Plan with certain services without receiving compensation. Administrative costs paid or incurred by the Plan consisted of the following for the year ended September 30:

	2018	2017
Professional services	\$ 197,277	\$ 204,528
Salaries and wages	166,575	155,598
Meetings/conferences/dues	27,480	26,747
Fringe benefits	30,144	14,792
Depreciation	724	2,567
Leases and rentals	2,553	3,870
Supplies	1,415	2,551
Contributions/subsidies	-	-
Intragovernmental service charges	4,438	1,858
Insurance premiums/charges	19,027	17,381
Accounting and auditing	13,395	-
Other expenses	<u>9,152</u>	<u>15,583</u>
Total administrative expenses	<u>\$ 472,181</u>	<u>\$ 445,475</u>

NOTE 6 – NET PENSION LIABILITY (ASSET)

The components of the net pension liability (asset) at September 30, 2018:

Total pension liability	\$ 674,875,420
Plan fiduciary net position	<u>684,276,476</u>
Net pension asset	<u>\$ (9,401,056)</u>

Plan fiduciary net position as a percent of the total pension liability 101.39%

(Continued)

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2017)**

NOTE 6 – NET PENSION LIABILITY (ASSET)

Significant Actuarial Assumptions

The total pension liability (asset) was determined by an actuarial valuation as of September 30, 2017 and rolled forward to the measurement date, September 30, 2018 using the following actuarial assumptions applied to all measurement periods:

Inflation	2.50%
Salary increases	4.00% to 9.50% depending on age, including inflation
Investment rate of return	7.40%
Mortality	RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 50% blue collar adjustment and a 50% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates currently in use for Regular Class members of the Florida Retirement System (FRS), as mandated by Chapter 112.63, Florida Statute.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study dated November 1, 2012 for the period from October 1, 2001 to September 30, 2011.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	40.0%	6.2%
International Equity	15.0%	4.3%
Emerging Markets Equity	12.0%	10.3%
Private Equity	5.0%	10.7%
Real Estate & Timber	10.0%	10.0%
Fixed Income	15.0%	1.6%
Cash equivalents	<u>3.0%</u>	<u>-1.2%</u>
Total	<u>100%</u>	<u>5.6%</u>

(Continued)

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2017)**

NOTE 6 – NET PENSION LIABILITY (ASSET) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset), calculated using the discount rate of 7.4%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.4%) or 1-percentage-point higher (8.4%) than the current rate:

	1% Decrease <u>(6.4%)</u>	Current Discount Rate <u>(7.4%)</u>	1% Increase <u>(8.4%)</u>
Net Pension Liability (Asset)	\$ 62,994,158	\$ (9,401,056)	\$ (70,573,772)

NOTE 7 – TAX STATUS

Management and the Plan's tax counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Internal Revenue Code. The Internal Revenue Service has determined and informed the City by a letter dated October 24, 2014, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC).

NOTE 8 – SUBSEQUENT EVENTS

The Plan has evaluated subsequent events after September 30, 2018 through March 14, 2019, which is the date the financial statements were available to be issued, and has concluded that there is no impact requiring adjustment or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE
EMPLOYER NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**

Fiscal Year ending September 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service Cost	\$ 9,080,935	\$ 9,607,674	\$ 9,940,115	\$ 9,917,828	\$ 10,774,138
Interest	48,592,554	46,437,709	45,329,190	44,655,792	43,346,733
Benefit Changes	-	-	-	-	-
Difference Between actual & expected experience	(7,758,188)	(1,676,483)	(657,609)	(6,253,927)	-
Assumption Changes	6,581,878	14,797,404	3,054,924	5,940,974	-
Benefit Payments	(40,797,248)	(38,843,113)	(38,030,549)	(36,967,771)	(36,087,008)
Refunds	(85,828)	(90,430)	(138,606)	(127,423)	(153,598)
Net Change in Total Pension Liability	<u>15,614,103</u>	<u>30,232,761</u>	<u>19,497,465</u>	<u>17,165,473</u>	<u>17,880,265</u>
Total Pension Liability - Beginning	<u>659,261,317</u>	<u>629,028,556</u>	<u>609,531,091</u>	<u>592,365,618</u>	<u>574,485,353</u>
Total Pension Liability - Ending (a)	<u>\$ 674,875,420</u>	<u>\$ 659,261,317</u>	<u>\$ 629,028,556</u>	<u>\$ 609,531,091</u>	<u>\$ 592,365,618</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 10,459,835	\$ 14,650,881	\$ 14,393,012	\$ 15,501,180	\$ 15,061,353
Contributions - Member	2,741,096	2,978,329	3,152,504	3,200,689	3,264,583
Net Investment Income	58,237,325	88,659,514	56,764,958	(22,561,456)	59,588,725
Benefit Payments	(40,797,248)	(38,843,113)	(38,030,549)	(36,967,771)	(36,087,008)
Refunds	(85,828)	(90,430)	(138,606)	(127,423)	(153,598)
Administrative Expense	(472,181)	(445,475)	(551,683)	(398,274)	(469,862)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>30,082,999</u>	<u>66,909,706</u>	<u>35,589,636</u>	<u>(41,353,055)</u>	<u>41,204,193</u>
Plan Fiduciary Net Position - Beginning	<u>654,193,477</u>	<u>587,283,771</u>	<u>551,694,135</u>	<u>593,047,190</u>	<u>551,842,997</u>
Plan Fiduciary Net Position - Ending (b)	<u>684,276,476</u>	<u>654,193,477</u>	<u>587,283,771</u>	<u>551,694,135</u>	<u>593,047,190</u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>(9,401,056)</u>	<u>5,067,840</u>	<u>41,744,785</u>	<u>57,836,956</u>	<u>(681,572)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.39%	99.23%	93.36%	90.51%	100.12%
Covered Payroll	\$ 45,140,076	\$ 47,494,154	\$ 53,951,321	\$ 57,804,651	\$ 59,303,500
Net Pension Liability as a Percentage of Covered Payroll	-20.83%	10.67%	77.37%	100.06%	-1.15%

**CITY OF FORT LAUDERDALE
 GENERALEMPOYEEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>FY Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2009	\$18,363,351	\$18,363,351	\$ -	N/A	N/A
2010	19,387,067	19,387,067	-	N/A	N/A
2011	21,534,043	21,534,043	-	N/A	N/A
2012	22,379,269	22,379,269	-	N/A	N/A
2013	13,560,634	13,560,634	-	N/A	N/A
2014	15,061,353	15,061,353	-	\$ 59,303,500	25.40%
2015	15,501,180	15,501,180	-	57,804,651	26.82%
2016	14,393,012	14,393,012	-	53,951,321	26.68%
2017	14,650,881	14,650,881	-	47,494,154	30.85%
2018	10,459,835	10,459,835	-	45,140,076	23.17%

N/A – Information not available

Note to Schedule:

Valuation date: September 30, 2016

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, Closed
Closed amortization period	26 years
Asset valuation method	5-year smoothed market
Investment rate of return	7.50%
Inflation	3.00%
Salary increases	4.0% to 9.5% depending on age, including inflation

Retirement Age Experience-based table of rates that are specific to the type of eligibility condition.

Mortality RP-2000 Combined Healthy Participant Mortality Tables for preretirement mortality and RP-2000 Mortality for post-retirement mortality, with mortality improvements projected to all future years after 2000 using Scale BB. Base mortality rate for males have a 50% blue collar and 50% white collar adjustment. For females, a 100% white collar adjustment.

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS

	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.03%	15.05%	10.45%	-4.59%	10.62%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the plan will present information for those years for which information is available.

REPORTING SECTION

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

Board of Trustees
City of Fort Lauderdale, Florida
General Employees' Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Fort Lauderdale General Employees' Retirement System (the "Plan"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated March 14, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of 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*.

The Plan's Response to Findings

The Plan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Plan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Crowe LLP

Fort Lauderdale, Florida
March 14, 2019

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FINDINGS AND RESPONSES**

Finding 2018-001

Classification: Material Weakness

Criteria or specific requirement: An unsettled trade is a trade for which payment has not yet been received or paid and should be classified as either an asset or liability on the statement of fiduciary net position.

Context: The Plan did not correctly record unsettled trade liabilities, accounts receivable and cash at year-end.

Effect: Understatement of liabilities, accounts receivable and cash.

Cause: The Plan reversed the previously accurate recording of pending investment trades at year end resulting in the improper classification of unsettled trades.

Recommendation: Crowe recommends that the Plan implement a policy to ensure that there is a detail review over investment trades at fiscal year-end and that there is an independent review by an appropriate level of management.

Views of responsible officials and planned corrective actions: The original entry was recorded correctly. During a secondary review there was a misinterpretation of GASB Statement 67 and the entry was reversed. In the future the Plan will seek assistance from the external auditors when there is a difference in the interpretation of a GASB statement.