

**CITY OF AVENTURA POLICE OFFICERS'
RETIREMENT PLAN**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017



CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	8
Statement of Changes in Fiduciary Net Position	9
Notes to Financial Statements	10-19
SUPPLEMENTARY INFORMATION	
Schedule of Administrative Expenses	21
Schedules of Contributions from Employer and Other Contributors	22
Schedule of Investment Returns	23
Schedules of Changes in the Employer's Net Pension Liability and Related Ratios	24
COMPLIANCE REPORT	
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	26-27

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the City of Aventura Police Officers' Retirement Plan, which comprise the statement of fiduciary net position as of September 30, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Aventura Police Officers' Retirement Plan as of September 30, 2017, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Prior Year Comparative Information

We have previously audited the City of Aventura Police Officers' Retirement Plan's 2016 financial statements, and our report dated February 24, 2017, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, 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 management's discussion and analysis on pages 4-7 and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 22-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, dated February 8, 2018, on our consideration of City of Aventura Police Officers' Retirement Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City of Aventura Police Officers' Retirement Plan's internal control over financial reporting and compliance.

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

Miami, Florida
February 8, 2018

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents Management's Discussion and Analysis (MD&A) of the City of Aventura Police Officers' Retirement Plan's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2017. Please read it in conjunction with the Plan's financial statements, which immediately follow.

Overview of the Financial Statements

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

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

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

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

The Plan was first established on October 1, 2003 to provide retirement, disability and death benefits for the police officers of the City of Aventura, Florida (the City), as defined in Chapter 36, Article II, Section 36-21 of the City Ordinance, which is amended from time to time. The City is the Plan Sponsor of the Plan. There is a Board of Trustees (the Board) in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Financial Highlights

The Plan's financial statements net results from operations for fiscal year 2017 reflected the following financial activities:

- Total fiduciary net position was \$40,602,706 which was 19% greater than 2016 total fiduciary net position.
- Total employer, employee and state contributions for the year were \$2,777,469 which was 8% greater than the 2016 contributions. For the fiscal year ended September 30, 2017, employer and employee contributions were 20.889% and 10.775% of compensation, respectively.
- Total interest and dividend earnings were \$773,259, which was 21% greater than the 2016 earnings.
- Net investment income was \$4,266,881 which was 98% higher than the 2016 investment income.
- Benefits paid were \$514,739, which was 17% greater than the benefits paid during 2016.

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Fiduciary Net Position

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

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

- Fiduciary net position at September 30, 2017 was \$40,602,706, a 19% increase from fiduciary net position at September 30, 2016.
- Total investments at September 30, 2017 were \$40,470,598, a 19% increase from the investments at September 30, 2016.

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

	2017	2016	% Change
Receivables	\$ 194,974	\$ 120,501	62%
Investments, at fair value	40,470,598	34,128,182	19%
Other assets	48,950	39,374	24%
Total assets	40,714,522	34,288,057	19%
Accounts payable	7,732	6,957	11%
Accounts payable - purchase of investments	104,084	136,134	(24%)
Total liabilities	111,816	143,091	(22%)
Net position restricted for pensions	\$ 40,602,706	\$ 34,144,966	19%

Statement of Changes in Fiduciary Net Position

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

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position (Continued)

- Revenues (additions to the fiduciary net position) for the Plan were \$7,044,904, which was made up of City, employee and state contributions of \$2,777,469 plus net investment income of \$4,266,881 and other income of \$554.
- Expenses (deductions from the fiduciary net position) decreased from \$660,891 during 2016 to \$587,164 during 2017.

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

	2017	2016	% Change
Total contributions	\$ 2,777,469	\$ 2,561,936	8%
Net investment income	4,266,881	2,158,163	98%
Other	554	-	100%
Total additions	7,044,904	4,720,099	49%
Total deductions	587,164	660,891	(11%)
Fiduciary net increase	6,457,740	4,059,208	59%
Net position restricted for pensions – beginning	34,144,966	30,085,758	13%
Net position restricted for pensions – ending	\$ 40,602,706	\$ 34,144,966	19%

Asset Allocation

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2017:

Type of Investment	Investment Policy	Actual Allocation
Domestic equities	43.75% to 66.25%	48%
International equities	7.5% to 12.5%	16%
Fixed income	17.5% to 22.5%	24%
Real estate	0% to 10%	4%
Hedge funds	0% to 15%	5%
Cash and cash equivalents	minimum	3%

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

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Investment Activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report, on a quarterly basis, compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement, in effect for fiscal year ended September 30, 2017, was last amended on October 21, 2016.

The Board and its investment consultant review portfolio performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

Financial Analysis Summary

The investment activities, for the fiscal year ended September 30, 2017, are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's Financial Management

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

Benefits USA, Inc.
c/o City of Aventura Police Officers' Retirement Plan
3810 Inverrary Boulevard, Suite 302
Lauderhill, FL 33319

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
RECEIVABLES:		
Accrued investment income	\$ 167,917	\$ 75,212
Accounts receivable - sale of investments	22,584	-
City contribution receivable	4,473	44,785
Other receivables	-	504
TOTAL RECEIVABLES	<u>194,974</u>	<u>120,501</u>
INVESTMENTS, AT FAIR VALUE:		
Equity securities	26,268,799	22,232,609
Government securities	4,748,074	3,548,606
Corporate bonds	3,580,469	2,700,467
Hedge funds	1,896,810	2,137,761
Real estate	1,471,040	1,411,829
Money market funds	1,296,148	2,096,910
Fixed income mutual fund	1,209,258	-
TOTAL INVESTMENTS, AT FAIR VALUE	<u>40,470,598</u>	<u>34,128,182</u>
OTHER ASSETS	<u>48,950</u>	<u>39,374</u>
TOTAL ASSETS	<u>40,714,522</u>	<u>34,288,057</u>
LIABILITIES		
ACCOUNTS PAYABLE	7,732	6,957
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	<u>104,084</u>	<u>136,134</u>
TOTAL LIABILITIES	<u>111,816</u>	<u>143,091</u>
NET POSITION RESTRICTED FOR PENSIONS		
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 40,602,706</u>	<u>\$ 34,144,966</u>

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2016)

	<u>2017</u>	<u>2016</u>
ADDITIONS:		
Contributions:		
City	\$ 1,497,898	\$ 1,355,957
Employees	941,206	863,770
Florida Chapter 185 contribution	338,365	342,209
Total contributions	<u>2,777,469</u>	<u>2,561,936</u>
Investment income:		
Net appreciation in fair value of investments	3,796,945	1,799,636
Interest and dividend income	773,259	640,024
Total investment income	<u>4,570,204</u>	<u>2,439,660</u>
Less: investment expenses	<u>303,323</u>	<u>281,497</u>
Net investment income	<u>4,266,881</u>	<u>2,158,163</u>
Other	<u>554</u>	<u>-</u>
TOTAL ADDITIONS	<u><u>7,044,904</u></u>	<u><u>4,720,099</u></u>
DEDUCTIONS:		
Benefits paid directly to retirees	514,739	441,546
Refund of contributions	-	147,008
Administrative expenses	72,425	72,337
TOTAL DEDUCTIONS	<u><u>587,164</u></u>	<u><u>660,891</u></u>
NET INCREASE IN NET POSITION		
RESTRICTED FOR PENSIONS	6,457,740	4,059,208
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>34,144,966</u>	<u>30,085,758</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u><u>\$ 40,602,706</u></u>	<u><u>\$ 34,144,966</u></u>

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

Investments are reported at fair value (see Note 3). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (see Note 5 for discussion of fair value measurements).

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

Basis of Accounting and Use of Estimates

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

Comparative Information

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the year ended September 30, 2016, from which the information was derived. Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the City of Aventura Police Officer's Retirement Plan (the Plan) provides only general information. Participants should refer to the City of Aventura Florida's (the City) ordinance for more complete information.

General

The Plan is a single-employer defined benefit retirement plan covering all eligible police officers. The Plan was established by the City in accordance with a City ordinance and state statutes.

Management of the Plan is vested in the Board, which consists of five members; two of whom shall be legal residents of the City and who shall be appointed by the City Commission from a list provided by the City Manager. Two members of the Board shall be police officers elected by a majority of the police officers who are active participants of the Plan. A fifth member of the Board shall be chosen by a majority of the other four Trustees, and such person's name shall be submitted to the City Commission for appointment. The City Commission shall appoint the fifth member selected by the other four Trustees as a ministerial duty.

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Plan Membership

At September 30, 2017, Plan membership consisted of the following:

Active Plan participants	85
Inactive Plan participants or beneficiaries	
currently receiving benefits	<u>13</u>
Total	<u><u>98</u></u>

Eligibility

The Plan is open solely to active police officers of the City.

Benefits

➤ ***Normal Retirement***

A participant is eligible for normal retirement upon the earlier of age 55 with 10 years of credited service or completion of 25 years of credited service, regardless of age. For the first 40 years of service, the monthly benefit received will be 3% of final monthly compensation multiplied by the number of years of service, to a maximum of 80%. Years credited beyond 40 will be taken into account at 2% of final compensation per year.

➤ ***Early Retirement***

An early retirement benefit may be received upon attainment of age 45 with 10 years of credited service. The benefit may be received either on a deferred basis or on an immediate basis. On an immediate basis, the benefit amount will be the normal retirement benefit reduced by 3% per year for each year by which the retirement date precedes the normal retirement date. On a deferred basis, the benefit amount will be the same as the normal retirement benefit except that the final compensation and credited service will be based upon the early retirement date.

➤ ***Disability Retirement***

Participants who become disabled due to service-incurred injuries, which arise out of performance of service with the City, will receive a monthly benefit amount equal to the participant's accrued benefit but not less than 42% of the participant's final monthly compensation as of the date of disability, offset by any other payments, such as worker's compensation. Participants who become disabled due to non-service-incurred injuries, which do not arise out of performance of service with the City, and who have completed at least ten years of service, will receive a monthly benefit amount equal to 3% of final monthly compensation for each year of credited service, but not less than 30%.

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

➤ **Funding**

Effective October 1, 2015, participants are required to contribute 10.775% of the annual covered salary. During 2017, the City and State are required to contribute 17.136% and 3.753%, respectively, of covered payroll. Consistent with the requirements of Sections 112.66 and 185.07 of the Florida Statutes, the City is required to contribute an amount necessary to maintain the Plan on an actuarially sound basis. Contribution requirements of the Plan participants and the City are established and may be changed by an amendment of the City ordinance. The costs of administering the Plan are paid out of contributions to the Plan.

➤ **Rate of Return**

For the year ended September 30, 2017, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 11.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3. INVESTMENTS

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The investment policy statement in effect for fiscal year ended September 30, 2017 was last amended on October 23, 2016.

The following was the Board's adopted asset allocation policy as of September 30, 2017:

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equities	43.75% to 66.25%
International equities	7.5% to 12.5%
Fixed income	17.5% to 22.5%
Real estate	0% to 10%
Hedge funds	0% to 15%
Cash and cash equivalents	minimum

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

NOTE 3. INVESTMENTS (Continued)

During the year ended September 30, 2017, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$3,796,945 (reported as net appreciation in fair value of investments in the statement of changes in fiduciary net position) as follows:

Common stock	\$	3,790,252
Hedge funds		81,902
Mutual funds		37,576
Real estate		17,690
Government securities		(83,482)
Corporate bonds		(46,993)
Total	\$	3,796,945

The term "interest rate risk" refers to the portfolio's exposure to fair value losses arising from increasing interest rates. Interest rate risk disclosures are required for all debt investments, as well as investments in mutual funds, external investment pools and other pooled investments that do not meet the definition of a 2a7-like pool.

The Plan's investment policy does not currently set a parameter on the duration of its fixed income securities. However, the information as to the weighted average maturity of its fixed income portfolio is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
U.S. treasuries	\$4,018,328	\$ -	\$2,826,439	\$1,191,889	\$ -
U.S. agencies	729,746	283,596	446,150	-	-
Corporate bonds	3,580,469	352,730	3,047,884	179,855	-
Fixed income mutual fund	1,209,258	-	276,074	559,160	374,024
Totals	\$9,537,801	\$ 636,326	\$6,596,547	\$1,930,904	\$ 374,024

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

NOTE 3. INVESTMENTS (Continued)

The term “credit risk” is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Pursuant to City Ordinance 36-25(c)(4), the Plan limits its credit risk by limiting its fixed income investments to securities with the top 4 ratings issued by nationally recognized statistical rating organizations. The Plan’s corporate bonds and commercial paper were rated by Moody’s Investors Services as follows:

<u>Rating</u>	<u>Fair Value</u>
A	20,799
A1	764,728
A2	996,855
A3	155,363
Aa2	77,206
Aa3	182,301
AAA	4,202,504
B	227,703
Baa1	126,079
BBB	640,181
Below B	47,887
Unrated	<u>2,096,195</u>
Total	<u>\$9,537,801</u>

The Plan limits investments with any one issuer to no more than 5% of fiduciary net position, other than those issued by the U.S. Government or its Agencies. More than 5% of the Plan’s fiduciary net position is invested in debt securities issued by the United States Treasury. The United States Treasury investments represented approximately 10% of fiduciary net position.

“Foreign currency risk” is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars and the carrying value of foreign investments. American Depository Receipts (ADRs) are non-U.S. equity instruments that are issued in U.S. dollars and have no foreign currency risk and therefore, not included. The total of investments in foreign securities, which consist of ADR’s and foreign bonds, is \$6,614,441. The investment policy limits the foreign investments to no more than 12.5% of the Plan’s investment balance. As of year-end, the foreign investments were over the investment policy limits at approximately 16% of total investments.

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

NOTE 4. 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 changes could materially affect the amounts reported in the statement of fiduciary net position available for benefits.

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

NOTE 5. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market as follows:

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

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

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

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

Money market fund: Considered short-term investments reported at cost.

Common stock: Valued at the closing price reported on the New York Stock Exchange.

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

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

NOTE 5. FAIR VALUE MEASUREMENTS (Continued)

Hedge funds: Value based on the net asset value per share, without further adjustment. Net asset value is based upon the fair value of the underlying investment.

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

The Plan has investment in a private market real estate investment for which no liquid public market exists.

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2017:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted</u> Prices in Active Markets for Identical Assets <u>(Level 1)</u>	<u>Significant</u> Other Observable Inputs <u>(Level 2)</u>	<u>Significant</u> Unobservable Inputs <u>(Level 3)</u>
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$26,268,799	\$ 26,268,799	\$ -	\$ -
Debt securities:				
U.S. treasury securities	4,018,328	4,018,328	-	-
U.S. agency securities	729,746	-	729,746	-
Corporate bonds	3,580,469	-	3,580,469	-
Fixed income mutual fund	1,209,258	-	1,209,258	-
Total debt securities	<u>9,537,801</u>	<u>4,018,328</u>	<u>5,519,473</u>	<u>-</u>
Total investments by fair value level	<u>35,806,600</u>	<u>\$ 30,287,127</u>	<u>\$ 5,519,473</u>	<u>\$ -</u>
<u>Investments measured at</u>				
<u>the Net Asset Value (NAV) ^(a)</u>				
Hedge funds	1,896,810			
Real estate fund	1,471,040			
Total investments measured at the NAV	<u>3,367,850</u>			
Money market funds (exempt)	<u>1,296,148</u>			
Total investments	<u>\$40,470,598</u>			

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

NOTE 5. FAIR VALUE MEASUREMENTS (Continued)

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

<u>Investments Measured at the NAV</u>	Redemption			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Hedge fund ⁽¹⁾	\$ 939,247	\$ -	Quarterly	90 Days
Hedge fund ⁽²⁾	96,749	-	Semi-Annual	95 Days
Hedge fund ⁽³⁾	860,814	-	Quarterly	95 Days
Real estate fund ⁽⁴⁾	<u>1,471,040</u>	<u>-</u>	Quarterly	65 Days
Total investments measured at the NAV	<u>\$3,367,850</u>	<u>\$ -</u>		

- (1) Hedge fund: The fund is a multi-strategy fund of hedge funds that aims to pursue varying strategies in order to diversify risk and reduce volatility. The fund is a diversified portfolio offering investment solutions through activist long/short equity, credit/special situations, event driven and arbitrage, global long/short equity and other opportunistic situations. The investment is valued at NAV and is redeemable on a quarterly basis.
- (2) Hedge fund: The fund is a diversified commingled fund, seeking to produce long-term, risk-adjusted returns through investments utilizing venture capital, buyout, distressed debt, long/short equity, low volatility multi-strategy, and similar partnership strategies. The investment is valued at NAV and is redeemable on a semi-annual basis.
- (3) Hedge fund: The fund is a diversified portfolio of relative value and event driven hedge funds with a focus on credit strategies. The fund seeks to invest with managers that demonstrate limited exposure to eight key sources of risk, including market risks (equities, interest rates, currencies, commodities, and unsecured credit) and trading risks (excessive leverage, asset/liability mismatch, and high concentration). The investment is valued at NAV and is redeemable on a quarterly basis.
- (4) Real estate fund: The fund is an open-end core real estate fund with a diversified portfolio of income producing properties located throughout the United States. The investment is valued at NAV and is redeemable on a quarterly basis.

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

NOTE 6. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the Plan, at September 30, 2017, were as follows:

Total pension liability	\$ 46,749,025
Plan fiduciary net	40,602,706
City's net pension	<u>\$ 6,146,319</u>

Plan fiduciary net position as a percentage of the total pension liability	86.85%
---	--------

The total pension liability was determined by an actuarial valuation, as of October 1, 2016 using the following most significant actuarial assumptions: 7.5% for the investment rate of return and discount rate, 5.0% for projected salary increases and 2.3% for inflation.

Mortality Rate Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.
Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.
Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale. It was assumed that 44% of deaths are duty related.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation, as of September 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term expected real rate of return</u>
Domestic equity	6.31%
International equity	5.86%
Fixed income	2.17%
Real estate	3.04%
Hedge funds	2.47%

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

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

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan participant contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the participant rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total Plan liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the Plan was calculated using the discount rate of 7.50%. It was also calculated using a discount rate that was 1-percentage-point lower (6.50%) and 1-percentage-point higher (8.50%) and the different computations were compared.

	1% decrease	Current discount rate	1% increase
	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
Net pension liability	\$ 12,755,573	\$ 6,146,319	\$ 742,743

NOTE 7. INCOME TAXES

The Plan is exempt from federal income taxes under the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

On October 17, 2014, the Plan obtained its most recent determination letter in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with applicable requirements of Internal Revenue Code 401(a), and therefore, no provision for federal income taxes has been made.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 8, 2018, the date that the financial statements were available to be issued.

**CITY OF AVENTURA POLICE OFFICERS'
RETIREMENT PLAN**

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2017

**CITY OF AVENTURA POLICE OFFICERS’
RETIREMENT PLAN**

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2016)

	<u>2017</u>	<u>2016</u>
ADMINISTRATIVE EXPENSES:		
Actuarial	\$ 16,729	\$ 9,725
Administrative fees	14,400	14,700
Meetings and conventions	11,041	21,544
Legal	10,354	8,800
Audit	10,099	9,878
Insurance	9,202	7,090
Dues and subscriptions	600	600
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 72,425</u>	<u>\$ 72,337</u>

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined employer contribution	\$ 1,826,049	\$ 1,698,166	\$ 1,830,896	\$ 1,828,554	\$ 1,959,557
Actual employer contribution	<u>1,836,262</u>	<u>1,644,823</u>	<u>1,860,998</u>	<u>1,866,983</u>	<u>1,959,557</u>
Annual contribution deficiency (excess)	<u>\$ (10,213)</u>	<u>\$ 53,343</u>	<u>\$ (30,102)</u>	<u>\$ (38,429)</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 8,741,677</u>	<u>\$ 8,129,475</u>	<u>\$ 8,047,155</u>	<u>\$ 7,986,695</u>	<u>\$ 7,810,732</u>
Actual contributions as a percentage of covered-employee payroll	21.01%	20.23%	23.13%	23.38%	25.09%

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined employer contribution	\$ 1,923,697	\$ 1,895,968	\$ 1,530,134	\$ 1,151,438	\$ 1,169,142
Actual employer contribution	<u>1,923,697</u>	<u>1,895,968</u>	<u>1,605,048</u>	<u>1,414,470</u>	<u>1,187,996</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (74,914)</u>	<u>\$ (263,032)</u>	<u>\$ (18,854)</u>
Covered-employee payroll	<u>\$ 7,663,687</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 6,418,797</u>	<u>N/A</u>
Actual contributions as a percentage of covered-employee payroll	25.10%	N/A	N/A	22.04%	N/A

Actuarial cost method	Entry age normal actuarial cost method.
Amortization method	Level dollar.
Remaining amortization period	30 years (as of 10/01/2014)
Inflation	2.30%
Salary increases	5.00%
Investment rate of return	7.50%
Retirement age	Earlier of age 57 and 10 years of Credited Service, or upon completion of 25 years of Credited Service, regardless of age. Additionally, any participant who has reached Normal Retirement is assumed to continue employment for one additional year.
Mortality	RP-2000 Combined Healthy (current). Disabled set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. 44% are assumed to be in-the-line-of-duty.

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

<u>Year Ended</u> <u>September 30,</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2017	11.97%
2016	7.00%
2015	(1.83%)
2014	8.87%
2013	11.44%
2012	16.20%
2011	(0.48%)
2010	9.27%
2009	7.57%
2008	(15.39%)

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY:			
Service cost	\$ 1,946,501	\$ 1,810,699	\$ 1,896,180
Interest	3,279,516	2,931,936	2,727,885
Benefit changes	-	-	2,797,541
Difference between actual and expected experience	-	(1,226,574)	(1,326,392)
Changes of assumptions	-	1,534,188	-
Benefit payments, including refunds of employee contributions	<u>(514,739)</u>	<u>(588,554)</u>	<u>(394,472)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	4,711,278	4,461,695	5,700,742
TOTAL PENSION LIABILITY - BEGINNING	<u>42,037,747</u>	<u>37,576,052</u>	<u>31,875,310</u>
TOTAL PENSION LIABILITY - ENDING	<u>\$46,749,025</u>	<u>\$42,037,747</u>	<u>\$37,576,052</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - Employer	\$ 1,836,262	\$ 1,644,823	\$ 1,860,997
Contributions - Member	941,916	863,769	541,792
Net investment income (loss)	4,262,504	2,158,517	(614,811)
Benefit payments, including refunds of employee contributions	(514,739)	(588,554)	(394,472)
Administrative expenses	<u>(74,636)</u>	<u>(66,033)</u>	<u>(66,115)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	6,451,307	4,012,522	1,327,391
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>34,151,399</u>	<u>30,138,877</u>	<u>28,811,486</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>40,602,706</u>	<u>34,151,399</u>	<u>30,138,877</u>
NET PENSION LIABILITY - ENDING	<u>\$ 6,146,319</u>	<u>\$ 7,886,348</u>	<u>\$ 7,437,175</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	86.85%	81.24%	80.21%
COVERED EMPLOYEE PAYROLL	\$ 8,741,677	\$ 8,129,475	\$ 8,047,155
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	70.31%	97.01%	92.42%

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

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

**CITY OF AVENTURA POLICE OFFICERS'
RETIREMENT PLAN**

COMPLIANCE REPORT

SEPTEMBER 30, 2017

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the City of Aventura Police Officers' Retirement Plan, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Aventura Police Officers' Retirement Plan's financial statements, and have issued our report thereon dated February 8, 2018.

Internal Control Over Financial Reporting

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Miami, Florida
February 8, 2018