

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2018

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
TABLE OF CONTENTS
SEPTEMBER 30, 2018

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Required Supplementary Information-Unaudited)	3-6
Financial Statements:	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Financial Statements	9-19
Required Supplementary Information (Unaudited):	
Schedule of Changes in the City's Net Pension Liability	20
Schedule of Contributions by Employer	21
Schedule of Investment Returns	22
Supplementary Schedules:	
Schedules of Investment and Administrative Expenses	23
Compliance Report:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government</i> <i>Auditing Standards</i>	24

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Hialeah Gardens Police Officers' Pension Trust Fund
Hialeah Gardens, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Hialeah Gardens Police Officers' Pension Trust Fund (the "Plan"), which comprise the statement of fiduciary net position as of September 30, 2018, the related statement of changes in fiduciary net position for the fiscal 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.

Auditors' 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 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 Plan as of September 30, 2018 and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Comparative Information

We have previously audited the Plan's 2017 financial statements and our report dated July 24, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the comparative information presented herein as of and for the fiscal year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 6 and the "Required Supplementary Information" listed on the Table of Contents on pages 20 to 22 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.

Supplementary Schedules

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 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.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Coral Gables, Florida
May 7, 2019

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

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

Our discussion and analysis of the Hialeah Gardens Police Officers' Pension Trust Fund (the "Plan") financial performance provides an overview of the Plan's financial activities for the fiscal years ended September 30, 2018 and 2017. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements and required supplementary information. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal years ended September 30, 2018 and 2017 by \$17,561,918 and \$16,113,647, respectively (reported as net position restricted for pensions). The increase of \$1,448,271 has resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.
- Receivables at September 30, 2018 were \$9,984 (or 3.3%) more than receivables at September 30, 2017 due primarily to the decrease in City contributions receivable.
- Liabilities at September 30, 2018 were \$1,984 (or 4.3%) more than liabilities at September 30, 2017 due primarily to a increase in the amount payable for securities purchased.
- For the fiscal year ended September 30, 2018, City contributions to the Plan decreased by \$18,393 (or 3.4%) based on the actuarial valuation. Actual City contributions were \$523,208 and \$541,601 for 2018 and 2017, respectively.
- For the fiscal year ended September 30, 2018, member contributions decreased by \$2,667 (or 2.1%). Actual member contributions were \$124,219 and \$126,886 for 2018 and 2017, respectively.
- For the fiscal year ended September 30, 2018, net investment income decreased by \$351,729. Actual results were \$1,171,303 and \$1,534,278 fair market value of investments for 2018 and 2017, respectively, and \$404,110 and \$398,025 in income from interest and dividends for 2018 and 2017, respectively. Investment expenses for the fiscal year September 30, 2018 decreased by \$6,085 (or 1.5%).
- For the fiscal year ended September 30, 2018, benefit payments and refunds of contributions decreased by \$520,030 (or 62%) from 2017. The decrease is primarily attributable to a decrease in DROP participant distributions, which totaled \$595,578 that occurred in 2017.
- For the fiscal year ended September 30, 2018, administrative expenses decreased by \$20,662 from 2017 (or 26.3%) due primarily to an decrease in professional fees.

Overview of the Financial Statements

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

The Plan presents required supplementary schedules, which provide historical trend information about the Plan.

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

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

Description of the Financial Statements

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

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

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

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

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

Condensed Statements of Fiduciary Net Position

The tables below reflect condensed comparative statements of Fiduciary Net Position of the Plan at September 30:

	2018	2017	Increase/(Decrease)	% Change
Cash and cash equivalents	\$ 771,887	\$ 557,818	\$ 214,069	38.4%
Receivables	313,074	303,090	9,984	3.3%
Investments	<u>16,525,277</u>	<u>15,299,075</u>	1,226,202	8.0%
Total assets	<u>17,610,238</u>	<u>16,159,983</u>	<u>1,450,255</u>	<u>9.0%</u>
Liabilities	<u>48,320</u>	<u>46,336</u>	1,984	4.3%
Net pension restricted for pensions	<u>\$ 17,561,918</u>	<u>\$ 16,113,647</u>	<u>\$ 1,448,271</u>	<u>9.0%</u>

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

Condensed Statements of Fiduciary Net Position (Continued)

The tables below reflect condensed comparative statements of the Changes in Fiduciary Net Position and reflect the activities of the Plan for the fiscal years ended September 30:

	<u>2018</u>	<u>2017</u>	<u>Increase/(Decrease)</u>	<u>% Change</u>
Additions:				
Contributions:				
City	\$ 523,208	\$ 541,601	\$ (18,393)	-3.4%
Member	124,219	126,886	(2,667)	-2.1%
State	<u>225,532</u>	<u>211,274</u>	14,258	6.7%
Total contributions	872,959	879,761	(6,802)	-0.8%
Net investment income	<u>1,489,774</u>	<u>1,841,503</u>	<u>(351,729)</u>	<u>-19.1%</u>
Total additions	<u>2,362,733</u>	<u>2,721,264</u>	<u>(358,531)</u>	<u>-13.2%</u>
Deductions:				
Pension benefits paid	832,824	1,376,619	(543,795)	-39.5%
Refunds of contributions	23,765	-	23,765	0.0%
Administrative expenses	<u>57,873</u>	<u>78,535</u>	<u>(20,662)</u>	<u>-26.3%</u>
Total deductions	<u>914,462</u>	<u>1,455,154</u>	<u>(540,692)</u>	<u>-37.2%</u>
Net increase (decrease)	1,448,271	1,266,110	182,161	14.4%
Net position restricted for pensions, at - beginning of year	16,113,647	14,847,537	1,266,110	8.5%
End of year	<u>\$ 17,561,918</u>	<u>\$ 16,113,647</u>	<u>\$ 1,448,271</u>	<u>9.0%</u>

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

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

Asset Allocation

For the fiscal year ended September 30, 2018, the domestic equity portion comprised \$9,391,396 or 54.2% of the total portfolio. The allocation to fixed income securities was \$ 2,621,170 or 15.1%, while cash and cash equivalents was \$227,753 or 1.3%. The portion of investments allocated to international equity was \$ 2,087,911 or 12.1%, and the portion allocated to real estate was \$ 1,536,271 or 8.9%.

For the fiscal year ended September 30, 2017, the domestic equity portion comprised \$7,697,993 or 48.5% of the total portfolio. The allocation to fixed income securities was \$4,045,609 or 25.5%, while cash and cash equivalents was \$557,818 or 3.5%. The portion of investments allocated to international equity was \$2,042,163 or 12.8%, and the portion allocated to real estate was \$1,513,313 or 9.5%.

Contacting the Plan's Financial Management

This financial report is designed to provide the Retirement Board, membership, taxpayers, investors, and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Hialeah Gardens Police Officers' Pension Trust Fund, 2955 Myrtle Oak Circle, Davie, FL 33328.

FINANCIAL STATEMENTS

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
STATEMENT FIDUCIARY NET POSITION
SEPTEMBER 30, 2018
(WITH COMPARATIVE INFORMATION AS OF SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 771,887	\$ 557,818
<u>RECEIVABLES</u>		
Member contributions	10,027	13,277
City contributions	42,233	55,923
Accrued interest and dividends	23,016	22,616
State contributions	225,532	211,274
Proceeds from securities sold	12,266	-
Total receivables	<u>313,074</u>	<u>303,090</u>
<u>INVESTMENTS, AT FAIR VALUE</u>		
U.S. government securities	1,213,268	984,926
Corporate bonds	1,292,080	1,551,525
Domestic equity	8,982,766	7,697,993
International equity	2,023,949	2,042,163
Fixed income fund	1,476,943	1,509,155
Real estate fund	1,536,271	1,513,313
Total investments, at fair value	<u>16,525,277</u>	<u>15,299,075</u>
Total assets	<u>17,610,238</u>	<u>16,159,983</u>
<u>LIABILITIES</u>		
Accounts payable	24,944	20,924
Payable for securities purchased	-	2,036
Prepaid city contributions	23,376	23,376
Total liabilities	<u>48,320</u>	<u>46,336</u>
Net position restricted for pension	<u>\$ 17,561,918</u>	<u>\$ 16,113,647</u>

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

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE INFORMATION FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
<u>ADDITIONS</u>		
Contributions:		
City	\$ 523,208	\$ 541,601
Member	124,219	126,886
State	<u>225,532</u>	<u>211,274</u>
Total Contributions	<u>872,959</u>	<u>879,761</u>
<u>INVESTMENT INCOME</u>		
Net appreciation in fair value of investments	1,171,303	1,534,278
Interest and dividends	<u>404,110</u>	<u>398,025</u>
Total investment income	<u>1,575,413</u>	<u>1,932,303</u>
Less: Investment expenses	85,188	90,800
Net investment income	<u>1,490,225</u>	<u>1,841,503</u>
Total additions	<u>2,363,184</u>	<u>2,721,264</u>
Deductions:		
Pension benefits paid	832,824	1,376,619
Refunds of contributions	23,765	-
Administrative expenses	<u>58,324</u>	<u>78,535</u>
Total deductions	<u>914,913</u>	<u>1,455,154</u>
Net increase	1,448,271	1,266,110
Net position restricted for pensions		
Beginning of year	<u>16,113,647</u>	<u>14,847,537</u>
End of year	<u>\$ 17,561,918</u>	<u>\$ 16,113,647</u>

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

NOTES TO THE FINANCIAL STATEMENTS

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 1 – DESCRIPTION OF THE PLAN

Organization

The City of Hialeah Gardens (the "City") established the Hialeah Gardens Police Officers' Pension Trust Fund (the "Plan") as a single employer defined benefit plan on October 1, 1990. The Plan is administered by a pension board. The board has the ability to make recommendations on establishing and amending pension plan provisions which can only be authorized by the City Council. The Plan is reported as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity. Participants should refer to the Plan for more detailed and comprehensive information.

The Board of Trustees has five members: two are elected by the participants, two are appointed by the City Council, and the remaining Trustee is elected by a majority of the other Trustees.

Participants

All full-time police officers employed by the City of Hialeah Gardens, Florida are eligible to participate in the Plan.

Plan Membership

Membership data at October 1, was as follows:

	2018
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them.	17
Active Participants:	
Vested	9
Nonvested	29
Total active participants	38

Funding Requirements

Benefits of the Plan are financed by contributions that are paid into the Plan and by investment earnings generated by investment of the pension fund.

Member Contributions

Member contributions are equal to 5% of salary. If a member terminates their employment before they become eligible to receive benefits, the accumulated contributions will be returned to the member.

City and State Contributions

Pursuant to Florida Statutes, Chapter 185, contributions from the State of Florida consist of excise taxes collected on casualty and fire insurance premiums on policies written within the City. The allowable portion of the State contribution is used to reduce the City's contribution when received. The City is expected to contribute such additional amounts as are necessary on an actuarial basis to fund the Plan's expenses, normal cost and to amortize the unfunded actuarial accrued liability.

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

Pension Benefits

Normal Retirement:

A member is eligible for normal retirement benefits when the member has attained the earlier of the age fifty (50) and completed ten (10) years of credited service or has attained twenty (20) years of credited service regardless of age.

The normal retirement age for a member not eligible for normal retirement benefits prior to October 1, 2011 shall be the first day of the month on which or after the member attains the age of fifty-five (55) and completed ten (10) years of credited service or has attained twenty (20) years of credited service regardless of age.

For a member eligible for normal retirement prior to October 1, 2011, the member will receive a monthly benefit of 3% of the Average Final Compensation multiplied by years of credited service. For a member not eligible for normal retirement prior to October 1, 2011, the member will receive a monthly benefit of 3% of the Average Final Compensation multiplied by credited service prior to October 1, 2011 plus 2.75% of the Average Final Compensation multiplied by years of credited service after October 1, 2011. Average final compensation is calculated by the average compensation of the five highest years of the member's employment.

Early Retirement:

A member who has attained age forty-five (45) and completed ten (10) years of credited service may retire with an early retirement benefit.

Upon early retirement, a member will receive a monthly benefit based upon the accrued pension benefit reduced by 3% for each year early.

Disability Retirement:

Any member who becomes totally and permanently disabled as certified by a medical examination may retire on a non-service incurred disability retirement benefit after ten years of credited service. A member may retire on a service incurred disability retirement benefit if disabled as a result of the performance of duty, without regard to the credited service at the time of disability.

The monthly non-service incurred disability retirement benefit is the greater of the accrued retirement benefit or twenty-five percent (25%) of Average Final Compensation. The monthly service incurred disability retirement benefit is the greater of the accrued pension benefit or forty-two percent (42%) of Average Final Compensation.

Death Benefits:

In the event that a participant dies prior to retirement, benefits are payable to the participant's designated beneficiary. The benefits payable to the participant's surviving beneficiary shall be the amount of benefits that were otherwise payable to the police officer starting when the participant would have reached retirement age.

Deferred Retirement Option Plan:

Members who continue employment with the City past normal retirement date may freeze their accrued benefit and enter into the Deferred Retirement Option Plan ("DROP"). Maximum participation in the DROP shall be sixty (60) months.

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 1 - DESCRIPTION OF THE PLAN (CONTINUED)

Deferred Retirement Option Plan (Continued):

For members electing participation in the DROP, an individual DROP account shall be created. Payment shall be made by the Plan into the member's DROP account in an amount equal to the regular monthly retirement benefit which the participant would have received had the participant separated from service and commenced receipt of pension benefits plus interest. Interest shall be based on the actual rate of return for the Plan. As of September 30, 2018, there was one participant remaining in the DROP with an account balance of \$38,026.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are due. City contributions are recognized as revenue when due pursuant to the actuarial valuation. State contributions are recognized as revenue in the period in which they are approved by the State. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest income is recorded as earned and dividend income is recorded as of the ex-dividend date.

Cash Equivalents

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

Investments

Plan 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. Refer to Note 4 to the financial statements for more detail regarding the methods used to measure the fair value of investments.

Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statement of changes in fiduciary net position along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on a trade date basis.

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

Risks and Uncertainties

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

Use of Estimates

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

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 3 – CONTRIBUTIONS

Actual Contributions

The actual contributions from the City and the State of Florida for active members for the fiscal year ended September 30, 2018, amounted to \$748,133, and the actual amount of covered payroll was approximately \$2,484,380. The contributions were actuarially determined using an actuarial valuation as of October 1, 2017 for the year ended September 30, 2018.

The contributions consisted of the following at September 30:

	<u>Amount</u>	<u>2018</u> Percent of Actual Annual <u>Covered Payroll</u>
City	\$ 523,208	20.62%
State of Florida	<u>225,532</u>	8.89%
Total contributions from		
City and State of Florida	<u>\$ 748,740</u>	<u>29.50%</u>

Member contributions were \$124,219 for the fiscal year ended September 30, 2018.

NOTE 4 – DEPOSITS AND INVESTMENT RISK DISCLOSURES

Cash and Cash Equivalents

Deposits are carried at cost and are included in cash and cash equivalents in the statement of fiduciary net position. Cash and cash equivalents include money market accounts at September 30, 2018.

Investment Authorization

The Plan's investment policy is determined by the Board of Trustees who is responsible for directing the investment of the assets of the Plan to ensure that there will be adequate monies for future benefits. The policy has been identified by the Board of Trustees to conduct the operations of the Plan in a manner so that the assets will provide the pension and other benefits provided under applicable laws, including City ordinances, preserving principal while maximizing the rate of return.

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 70% (at market) of the Plan's total asset value. The equity position in any one company shall not exceed 5% of the total portfolio at market. Investments in stocks of foreign companies shall be limited to 25% of the Plan's market value.

Fixed income securities must be rated A or better at least one of the three nationally recognized rating agencies. 15% of the bond portfolio can fall below this rating but the overall quality must remain A or better. While the Plan may hold fixed income securities with maturities out to 30 years, the weighted average maturity/duration of the fixed income portfolio shall approximate plus or minus 25% of the target fixed income benchmark.

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (CONTINUED)

Types of Investments

Florida statutes and Plan investment policy authorize the Board of Trustees to invest funds in various investments. The current target and actual allocation of these investments at market is as follows at September 30:

<u>Authorized Investments</u>	<u>Target %</u>	2018 <u>Actual %</u>
Domestic equity	47.5%	54.2%
Fixed income	30.0%	23.6%
International equity	12.5%	12.0%
Real estate	10.0%	8.9%
Cash and cash equivalents	0.0%	1.3%

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity at September 30, 2018.

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasuries	\$ 121,586	\$ 44,013	\$ 51,580	\$ 25,993	\$ -
U.S. Agencies	810,229	214,792	300,826	111,600	183,011
Corporate bonds	1,464,031	987,507	381,576	74,752	20,196
Municipal Bonds	75,471	43,564	31,907	-	-
Collateralized Mortgage Obligations	34,031	-	-	-	34,031
Fixed income fund	1,476,943		1,476,943		
Total fixed					
Income securities	<u>\$ 3,982,291</u>	<u>\$ 1,289,876</u>	<u>\$ 2,242,832</u>	<u>\$ 212,345</u>	<u>\$ 237,238</u>

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (CONTINUED)

Credit Risk

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

The following table discloses credit ratings by investment type, at September 30, 2018 as applicable:

	<u>Fair Value</u>	<u>2018</u> Percentage of Portfolio
* U.S. government guaranteed	\$ 931,815	23.40%
Quality rating of credit risk debt securities:		
A	217,335	5.46%
A-	227,243	5.71%
A+	126,141	3.17%
AA	20,427	0.51%
AA-	105,320	2.64%
AA+	83,643	2.10%
AAA	43,564	1.09%
BBB	196,702	4.94%
BBB-	83,219	2.09%
BBB+	411,634	10.34%
NR	1,535,248	38.55%
Total credit risk debt securities	<u>3,050,476</u>	<u>76.60%</u>
Total fixed income securities	<u>\$ 3,982,291</u>	<u>100.00%</u>

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

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2018.

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (CONTINUED)

Custodial Credit Risk

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Plan's deposits are covered by depository insurance or are collateralized by securities held with a financial institution in the Plan's name. The Plan is only exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance.

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan, and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

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

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 9.31%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Valuation

GASB 72 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment. Fair value represents 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. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Investments traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 - Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.

Level 3 - Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

The Plan has established a framework to consistently measure the fair value of the Plan's assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing valuation policy and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment.

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (CONTINUED)

Investment Valuation (Continued)

The following table summarizes the valuation of the Plan's investments in accordance with the above mentioned fair value hierarchy levels as of September 30, 2018:

	Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
Short-term investment funds	\$ 770,208	\$ 770,208	\$ -
Total short-term investment funds	<u>770,208</u>	<u>770,208</u>	<u>-</u>
Equity securities			
ETF-Equity	28,756	28,756	-
Unit investment-equity	94,079	94,079	-
Foreign Stocks	397,317	397,317	-
Common Stocks	<u>8,417,552</u>	<u>6,943,250</u>	<u>1,474,302</u>
Total equity securities	<u>8,937,704</u>	<u>7,463,402</u>	<u>1,474,302</u>
Debt securities			
Government and agency obligations	931,815	606,162	325,653
Municipal bonds	75,471	-	75,471
Collateralized Mortgage Obligations	34,031	-	34,031
Corporate/foreign bonds	<u>1,464,031</u>	<u>-</u>	<u>1,464,031</u>
Total debt securities	<u>2,505,348</u>	<u>606,162</u>	<u>1,899,186</u>
Subtotal investments at fair value	<u>\$ 12,213,260</u>	<u>\$ 8,839,772</u>	<u>\$ 3,373,488</u>
Investments measured at the net asset value ("NAV")			
Mutual Funds-Equity	2,069,011		
Mutual Funds-Fixed	1,476,943		
Real estate fund	<u>1,536,271</u>		
Total investments measured at the NAV	<u>5,082,225</u>		
Total investments, at fair value	<u>\$ 17,295,485</u>		

Short-term investment funds: These consist primarily of money market funds, commercial paper and similar instruments with maturities of three months or less when purchased. Short term investments are reported at fair value or at cost or amortized cost, which approximates fair value. For those investments which are reported at fair value, the investments are valued using similar methodologies as described within the debt securities section below.

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (CONTINUED)

Investment Valuation (Continued)

Equity securities: These include common stock, domestic and international equity funds. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2018. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.

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

Fixed income fund: The fair value of investments in mutual funds is based on quoted net asset values of the shares as of September 30, 2018.

The Plan's valuation methods for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2018, are as follows:

Investments measured at the NAV

	Fair <u>Value</u>	Unfunded <u>Commitments</u>	Redemption Frequency (if <u>Currently Eligible</u>)	Redemption Notice <u>Period</u>
Mutual Funds-Equity (1)	\$ 2,069,011	-	Daily	1 Day
Mutual Funds-Fixed (2)	1,476,943	-	Daily	1 Day
Real estate Fund (3)	<u>1,536,271</u>	-	Quarterly	30 Days
Total investments measured at NAV	<u>\$ 5,082,225</u>			

(1) *Mutual Funds-Equity*. The equity mutual funds invest primarily in publicly traded in small and midcap domestic equity securities. The funds are valued at the net asset value of units held at the end of the period based on the fair value of the underlying investment.

(2) *Mutual Funds-Fixed*. The fixed income mutual fund invests primarily in high quality bond and other fixed income securities. The fund is valued at the net asset value of units held at the end of the period based on the fair value of the underlying investment.

(3) *Real Estate Fund*. Real estate funds are valued using their respective net asset value ("NAV") of outstanding units held as of September 30, 2018. The most significant input into the NAV of such funds is the fair value of the investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors. The real estate fund invests primarily in United States commercial real estate.

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 5 – NET PENSION LIABILITY OF THE CITY

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

The Actuarially determined net pension liability is calculated as of October 1, 2017 and rolled forward to September 30, 2018:

	<u>2018</u>
Total pension liability	\$18,028,604
Plan fiduciary net position	(17,561,918)
City's net pension liability	466,686
Plan fiduciary net position as a	
percentage of total pension liability	97.41%
 Net pension liability as a percentage	
of covered payroll	18.78%

Actuarial cost method	Entry Age Normal
Inflation	2.5%
Salary Increases Investment	5% to 17.5%, depending on
Rate of Return	service
Retirement Age Mortality	7.25%
	Experience-based table of rates that are specific to the
	type of eligibility condition

RP-2000 Combined Healthy Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement System (FRS) in the July 1, 2016 FRS Valuation, as mandated by Chapter 112.63, Florida Statutes.

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 expenses 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.

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 5 – NET PENSION LIABILITY OF THE CITY (CONTINUED)

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, 2018 (see the discussion of the Plan's investment policy), is summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return*
	<u>2018</u>
Domestic equity	7.5%
International equity	8.5%
Domestic bonds	2.5%
International bonds	3.5%
Real estate	4.5%

*Real rates of return are net of the long-term inflation assumption of 3.00%.

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these 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 to Changes in the Discount Rate

The following presents the net pension liability of the City using the discount rate of 7.50% as well as what the employer net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

City Net Pension Liability		
1% Decrease	Current Discount	1% Increase
<u>(6.25%)</u>	<u>Rate (7.25%)</u>	<u>(8.25%)</u>
\$ 2,501,566	\$ 466,686	\$ (1,232,331)

NOTE 6 - TAX STATUS

The Internal Revenue Service has determined and informed the Plan by a letter on January 25, 2017, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code, conditioned upon the adoption of certain proposed modifications. Further, the Plan Sponsor and legal counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code

REQUIRED SUPPLEMENTARY INFORMATION

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY

Plan Year Ending September 30:	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 595,447	\$ 538,779	\$ 490,341	\$ 491,321	\$ 435,930
Interest	1,265,945	1,220,303	1,213,413	1,149,899	1,080,398
Changes of benefit terms	-	163,585	-	-	-
Differences between expected and actual experience	(201,103)	(106,482)	(392,758)	67,419	17,978
Assumption Changes	453,086	141,624	-	-	-
Benefit payments	(832,824)	(1,376,619)	(1,229,360)	(521,971)	(868,735)
Refunds of contributions	(23,765)	-	(32,469)	(6,573)	-
Other (increase in State contribution reserve)	59,704	8,844	49,973	18,856	18,634
Net change in total pension liability	1,316,490	590,034	99,140	1,198,951	684,205
Total pension liability-beginning	16,712,114	16,122,080	16,022,940	14,823,989	14,139,784
Total pending liability-ending	<u>\$ 18,028,604</u>	<u>\$ 16,712,114</u>	<u>\$ 16,122,080</u>	<u>\$ 16,022,940</u>	<u>\$ 14,823,989</u>
 Plan fiduciary net position					
Contributions-City	\$ 523,208	\$ 541,601	\$ 483,462	\$ 505,211	\$ 470,955
Contributions-State	225,532	211,274	156,460	125,343	125,121
Contributions-member	124,219	126,886	111,522	109,271	103,782
Net investment income (loss)	1,489,774	1,841,503	1,142,054	(175,980)	1,238,189
Benefit payments	(832,824)	(1,376,619)	(1,229,360)	(521,971)	(868,735.00)
Refunds of contributions	(23,765)	-	(32,469)	(6,573)	-
Administrative expenses	(57,873)	(78,535)	(67,632)	(54,534)	(47,780)
Net change in plan fiduciary net position	1,448,271	1,266,110	564,037	(19,233)	1,021,532
Plan fiduciary net position-beginning	16,113,647	14,847,537	14,283,500	14,302,733	13,281,201
Plan fiduciary net position-ending	<u>\$ 17,561,918</u>	<u>\$ 16,113,647</u>	<u>\$ 14,847,537</u>	<u>\$ 14,283,500</u>	<u>\$ 14,302,733</u>
City's net pension liability	466,686	598,467	1,274,543	1,739,440	521,256
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.41%	96.42%	92.09%	89.14%	96.48%
Covered Payroll	\$ 2,484,380	\$ 2,537,728	\$ 2,230,433	\$ 2,185,416	\$ 2,075,635
Net Pension Liability as a Percentage of Covered Payroll	18.78%	23.58%	57.14%	79.59%	25.11%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS BY EMPLOYER

Fiscal Year Ending <u>September 30,</u>	Actuarially Determined <u>Contribution</u>	Actual <u>Contribution</u>	Contribution Deficiency (Excess)	Covered <u>Payroll</u>	Actual Contributions as a % of Covered <u>Payroll</u>
2014	\$ 577,442	\$ 577,442	\$ -	\$ 2,075,635	27.82%
2015	611,698	611,698	-	2,185,416	27.99%
2016	589,949	589,949	-	2,230,433	26.45%
2017	650,166	700,300	(50,134)	2,537,728	27.60%
2018	650,659	689,036	(38,377)	2,484,380	27.73%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: October 1, 2016
Notes Actuarially determined contribution rates are calculated as of October 1, which is 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	Aggregate
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	5% to 17.5%, depending on service.
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement System (FRS) in the July 1, 2016 FRS Valuation, as mandated by Chapter 112.63, Florida Statutes.

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	9.31%	12.19%	7.71%	-1.60%	7.64%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

HIALEAH GARDENS POLICE OFFICERS' PENSION TRUST FUND
SUPPLEMENTARY SCHEDULES OF INVESTMENT
EXPENSES AND ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE INFORMATION FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	<u>2018</u>	<u>2017</u>
Schedule "1"-Schedule of Investment Expenses		
Financial management expenses:		
Highland capital management	\$ 57,535	\$ 64,802
Total financial management expenses	57,535	64,802
Investment consultant fees:		
Bogdahn Consulting, LLC	18,500	17,750
Investment custodial fees:		
Salem Trust	9,153	8,248
Total investment expenses	85,188	90,800
Schedule "2"- Schedule of Administrative Expenses		
Professional services:		
Actuarial	18,242	23,932
Administrative	10,435	12,714
Audit	17,180	16,314
Legal	6,966	20,524
Total Professional services	52,823	73,484
Total professional services		
Other:		
Dues and subscriptions	850	850
Insurance	4,200	4,201
Miscellaneous	451	-
Total other	5,501	5,051
Total administrative expenses	\$ 58,324	\$ 78,535

COMPLIANCE SECTION



**INDEPENDENT AUDITORS' 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
City of Hialeah Gardens Police Officers' Retirement Trust Fund

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 Hialeah Gardens Police Officers' Retirement Trust Fund (the Plan) as of and for the fiscal 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 May 7, 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 opinions 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 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.

Compliance and Other Matters

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

Purpose of this Report

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

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Coral Gables, Florida
May 7, 2019