

**CITY OF OCOEE MUNICIPAL POLICE
OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

FINANCIAL STATEMENTS
September 30, 2017 and 2016

DAVIDSON, JAMIESON & CRISTINI, P.L.
Certified Public Accountants

**CITY OF OCOEE POLICE OFFICERS’
AND FIREFIGHTERS’
RETIREMENT TRUST FUND**

September 30, 2017 and 2016

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT.	1
 <u>FINANCIAL STATEMENTS</u>	
STATEMENTS OF FIDUCIARY NET POSITION	3
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION.....	4
NOTES TO FINANCIAL STATEMENTS	5
 <u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
SCHEDULE OF CHANGES IN THE CITY’S NET PENSION LIABILITY	36
SCHEDULE OF RATIOS	37
SCHEDULE OF CONTRIBUTIONS	38
NOTES TO THE SCHEDULE OF CONTRIBUTIONS	39
SCHEDULE OF INVESTMENT RETURNS	41
 <u>ADDITIONAL INFORMATION</u>	
SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES.....	42

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The Board of Trustees
City of Ocoee Municipal Police Officers' and
and Firefighters' Retirement Trust Fund
Ocoee, Florida

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the City of Ocoee Municipal Police Officers' and Firefighters' Retirement Trust Fund (Plan), which comprise the statements of fiduciary net position as of September 30, 2017 and 2016, and the related statement of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain 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.

The Board of Trustees
City of Ocoee Municipal Police Officers'
and Firefighters' Retirement Trust Fund
Ocoee, Florida

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 Ocoee Municipal Police Officers' and Firefighters' Retirement Trust Fund as of September 30, 2017 and 2016, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying required supplementary information on pages 36 through 41 of the City of Ocoee Municipal Police Officers' and Firefighters' Retirement Trust Fund is required by Governmental Accounting Standards Board Statement No. 67 and is not a required part of the basic financial statements. The additional information on page 42 is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Davidson, Jamieson & Creative, P.L.

July 5, 2018

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

STATEMENTS OF FIDUCIARY NET POSITION

September 30, 2017 and 2016

	<u>Assets</u>	
	2017	2016
Receivables:		
Employer	\$ 74,980	\$ 78,984
Participants	24,553	21,580
Interest	33,084	32,810
Dividends	11,498	11,021
Broker-dealers	-	53,229
	144,115	197,624
Total receivables		
Investments at fair value:		
U.S. Government securities	2,455,057	2,081,308
U.S. Government agency securities	5,288,080	6,979,247
Corporate bonds	3,442,672	2,125,677
International fixed investment fund	2,083,259	1,837,803
Domestic stocks	18,690,137	16,688,609
Domestic equity investment fund	8,522,256	7,183,349
International equity investment fund	4,226,632	3,503,679
Real estate investment fund	3,721,219	3,499,326
Temporary investments	1,930,973	1,322,735
	50,360,285	45,221,733
Total investments		
Prepaid expenses	174,011	2,031
Total assets	50,678,411	45,421,388
Accounts payable	50,232	45,329
Total liabilities	50,232	45,329
Net position restricted for pensions	\$ 50,628,179	\$ 45,376,059

See Notes to Financial Statements.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years ended September 30, 2017 and 2016

	2017	2016
Additions:		
Contributions:		
Employer	\$ 1,813,985	\$ 1,750,633
Participants	601,901	593,431
Total contributions	2,415,886	2,344,064
Intergovernmental revenues:		
Chapter 175 state excise tax rebate	265,931	281,152
Chapter 185 state excise tax rebate	298,168	276,008
Total intergovernmental revenues	564,099	557,160
Investment income:		
Net appreciation (depreciation) in fair value of investments	3,867,902	2,551,033
Interest	470,695	342,721
Dividends	924,037	747,949
Class action revenue	785	907
Investment income	5,263,419	3,642,610
Less investment expenses	190,796	169,553
Net investment income	5,072,623	3,473,057
Total additions	8,052,608	6,374,281
Deductions:		
Benefits:		
Age and service	1,949,913	1,665,877
Disability	181,068	178,600
DROP	399,873	634,519
PLOP	28,485	-
Refunds of contributions	159,221	-
Administrative expenses	81,928	100,990
Total deductions	2,800,488	2,579,986
Net increase in net position	5,252,120	3,794,295
Net position restricted for pensions:		
Beginning of year	45,376,059	41,581,764
End of year	\$ 50,628,179	\$ 45,376,059

See Notes to Financial Statements.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

1. Description of the Plan

The following brief description of the City of Ocoee Municipal Police Officers' and Firefighters' Retirement Trust Fund (Plan) is provided for general information purposes only. Participants should refer to the Plan Agreement for more complete information.

General - The Plan is a defined benefit pension plan covering all sworn fire and police officers of the City. Participation in the Plan is required as a condition of employment. Originally established in 1986 and amended substantially in 1996, 2010, and 2013, the Plan provides for pension, death and disability benefits. The Plan is subject to provisions of Chapters 175 and 185 of the State of Florida Statutes.

The City of Ocoee Municipal Police Officers' and Firefighters' Retirement Trust Fund is a defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the Plan. The Board consists of five Trustees, two of whom shall be legal residents of the City who are appointed by the Commission, two of whom are Members of the System and one who is elected by a majority of the Firefighter Members of the System and one who is elected by a majority of the Police Officer Members of the System with a fifth Trustee who is chosen by a majority of the first four Trustees. Each Trustee serves a four year term.

The City and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The City is authorized to establish benefit levels and the board of trustees approves the actuarial assumptions used in the determination of contribution levels.

During the fiscal year ended September 30, 2017, the Plan's membership consisted of:

Retirees and beneficiaries:

Currently receiving benefits	63
Terminated employees entitled to benefits but not yet receiving them	<u>26</u>

Total	<u><u>89</u></u>
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Current employees:

Vested	53
Nonvested	<u>63</u>

Total	<u><u>116</u></u>
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**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

1. Description of Plan (Continued)

At September 30, 2016, the date of the most recent actuarial valuation, there were 60 retirees and beneficiaries receiving benefits.

Pension Benefits - The pension plan provides retirement, death and disability benefits for its participants. A participant may retire with normal benefits after reaching age 55 and accumulating 7 or more years of credited service or 25 years of credited service. Normal retirement benefits are based on 3.5% of participant's final average salary times the number of his or her credited service years rendered. The accrual rate for firefighters hired after September 30, 2015 and police officers hired after May 16, 2017 is 3.25%; the maximum benefit is 81.25% of average final compensation and the vesting requirement is the completion of seven years of credited service. The final average salary for purposes of calculating benefits is the participant's average salary highest 5 years of participant's last 10 years of employment. The maximum benefit is ninety-one percent of average final earnings if hired on or after October 1, 2012.

A participant with 7 or more years of credited service is eligible for deferred retirement. These benefits begin upon application of or after reaching age 45 and are computed the same as normal retirement, based upon the participant's final average salary and credited service at the date of termination.

Death Benefits - For any deceased employee who had been an actively employed participant eligible for normal or deferred retirement, the benefit payable shall be at least equal to the annuity of ten years calculated as of the date of death to the employee's designated beneficiary. Non-vested death benefits are based on the participant's accumulated contribution.

Disability Benefits - For police officers hired after May 16, 2017, disability benefits for service related disabilities are calculated at 55% of the participant's average monthly earnings.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

1. Description of Plan (Continued)

Disability benefits for non-service related disabilities are calculated as the accrued normal retirement amount if the disability occurs after normal retirement eligibility. If the disability occurs before normal retirement eligibility and the participant has completed seven or more years of credited service, the disability benefit is computed as the normal retirement benefit with a minimum of 55% of the participant's average monthly earnings.

Refund of Participant Contributions - A participant who terminates employment and is ineligible for pension benefits is refunded his or her contribution without interest.

DROP Plan - Any participant who is eligible to receive a normal retirement pension benefit may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment. Upon participation in the DROP, the participant becomes a retiree for all plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participants upon his or her request or as required by law. Participation in the DROP ceases for a member after sixty months.

If the DROP is entered prior to October 1, 2012, the retirement benefit is immediately calculated and each monthly benefit payment is deposited into a DROP account. The account will be credited with interest at the rate of 6.5% per annum or credited or debited with an investment return or loss approximately equal to the other assets in the Plan.

If the DROP is entered on or after October 1, 2012, the retirement benefit is immediately calculated and each monthly benefit payment is deposited into a DROP account. The account can be credited with interest at the rate of 2% per annum or credited or debited with an investment return or loss approximately equal to the other assets in the Plan.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

1. Description of Plan (Continued)

BAC-DROP - In lieu of participation in the DROP, or or after October 1, 2012 to participate in an actuarially equivalent BAC-DROP to a date chosen provided that the date is not further back than his normal retirement date. The total BAC-DROP period shall not exceed 60 months and shall provide an immediate partial lump sum distribution, payable to a DROP Account. The lump sum shall be the accrued benefit, determined as if he had entered the DROP retroactively, as described above, accumulated with interest at the annual fixed rate of 2%. A participant may choose an actuarially equivalent form of benefit at the time of BAC-DROP entry, as described above. Member contributions shall be returned for the period of the BAC-DROP participation. By electing the BAC-DROP the participant shall terminate employment not later than the first day of the month following the election to participate in the BAC-DROP.

PLOP, Partial Lump Sum Option - A participant may elect a percentage of benefit in a lump sum as follows:

- (1) Five (5) percent lump sum benefit with ninety-five (95) percent paid under the normal form.
- (2) Ten (10) percent lump sum benefit with ninety (90) percent paid under the normal form.
- (3) Fifteen (15) percent lump sum benefit with eighty-five (85) percent paid under the normal form.
- (4) Twenty (20) percent lump sum benefit with eighty (80) percent paid under the normal form.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

1. Description of Plan (Continued)

Police Officers' Share Plan - Pursuant to a Mutual Consent Agreement between the City and PBA, \$193,673.55 from the Excess State Monies Reserve is allocated to eligible Police officers as follows: 50% of annual Chapter 185 Premium tax revenues received by the City in excess of \$223,377.02 shall be allocated based on a method to be determined. Eligible Share Accounts shall be credited or debited annually, based on the Plan's net-of-fees investment performance for the immediately preceding Plan Year. Expenses are allocated annually in proportion to individual Share Account Balances as a percentage of total plan assets. Vesting is 100% upon completion of five years of Credited Service, unless eligible for payment of benefits upon termination of employment. Distribution occurs soon as administratively practicable following the valuation date after termination.

2. Summary of Significant Accounting Policies

Basis of Accounting - Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Participant contributions are recognized in the period in which the contributions are due. City contributions to the plan as calculated by the Plan's actuary, are recognized as revenue when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Defined Benefit Pension Plans* and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer. The accompanying financial statements include solely the accounts of the Plan which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service, disability and death benefits required under the terms of the Plan and the amendments thereto.

Valuation of Investments - Investments in common stock and bonds 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 mean between the past reported bid and asked prices; investments in securities not having an established market value are valued at fair value as determined by the Board of Trustees. The fair value of an investment is the amount that the Plan could reasonably expect to receive for it in a current sale between market participants, other than in a forced or liquidation sale. Purchases and sales of investments are recorded on a trade date basis.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the Statement of Changes in Fiduciary Net Position.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

Asset Allocation - The Plan's adopted asset allocation policy as of September 30, 2017 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	45.00%
International Equity	15.00%
Broad market Fixed Income	25.00%
Global Fixed Income	5.00%
Real Estate	10.00%
Total	100.00%

Rate of Return - For the year ended September 30, 2017, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.90 percent adjusted for the changing amounts actually invested.

Custody of Assets - Custodial and investment services are provided to the Plan under contract with a national trust company having trust powers. The Plan's investment policies are governed by Florida State Statutes and ordinances of the City of Ocoee, Florida.

Authorized Plan Investments - The Board recognizes that the obligations of the Plan are long-term and that its investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the prudent investor rule and Chapters 175 and 185 of the Florida Statutes.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, high capitalization common or preferred stocks, pooled equity funds, high quality bonds or notes and fixed income funds, real estate and derivative investments. In addition, the Board requires that Plan assets be invested with no more than 70% in stocks and convertible securities measured at market value at the end of each reporting period. Further information regarding the permissible investments from the Plan can be found in the Plan's Investment Policy Statement.

Actuarial Cost Method - The Plan has elected the Entry Age Normal Cost Method for funding purposes. This method provides for the systematic funding of the Plan's normal cost. Under this method, an actuarial gain or loss based on actual versus expected actuarial unfunded liability in conjunction with each plan valuation.

Reporting Entity - The financial statements presented are only for the Plan and are not intended to present the basic financial statements of the City of Ocoee, Florida.

The Plan is included in the City's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2017 and 2016, is a separately issued document. Anyone wishing further information about the City is referred to the City's CAFR.

The Plan is a pension trust fund (fiduciary fund type) of the City which accounts for the single employer defined benefit pension plan for all City Police Officers and Firefighters. The provisions of the Plan provide for retirement, disability, and survivor benefits.

Funding Policy - Participants are required to contribute 8% of their annual earnings to the Plan effective September 17, 2013.

Participant contributions are made on a pre-tax basis. These contributions are designated as employee contributions under Section 414(h)(2) of the Internal Revenue Code. Contribution requirements of the Plan's participants are established and may be amended by the City of Ocoee, Florida.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

A rehired member may buy back past service by paying into the Plan the amount of contributions that the participant would otherwise have paid for such continuous past service, plus interest.

The City's funding policy is to make actuarially computed monthly contributions to the Plan in amounts, such that when combined with participant's contributions and the State fire and police insurance excise tax rebate, all participants' benefits will be fully provided for by the time they retire.

The City's actuarially determined contribution rate for the years ended September 30, 2017 and 2016 was 29.58% and 30.12%. This rate consists of 9.48% and 10.19% of members salaries to pay normal costs plus 20.10 and 19.93% to fund the Plan's administrative expenses pursuant to the September 30, 2017 and 2016 actuarial valuations.

Administrative Costs - All administrative costs of the Plan are financed through investment earnings. The Plan has no undue investment concentrations.

Cash - The Plan considers money market and demand account bank and broker-dealer deposits as cash. Temporary investments, shown on the statements of fiduciary net position, are composed of investments in short-term custodial proprietary money market funds.

Federal Income Taxes - The Plan has not applied for a favorable determination letter from the Internal Revenue Service indicating that the Plan is qualified and exempt from Federal income taxes. The Board believes that the Plan is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - Management has adopted the provisions set forth in GASB Statement No. 56, *Subsequent Events*, and considered subsequent events through the date of the audit report which is the date that the financial statements were available to be issued.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements - Governmental Accounting Standards Board (GASB) 67, Financial Reporting for Pension Plans and GASB 68, *Accounting & Financial Reporting for Pensions (Employer)*, address accounting and financial reporting requirements for pension plan activities. The City of Ocoee Police Officers' and Firefighters' Retirement Trust Fund (Plan) is a single employer pension plan as defined by GASB 67. The requirements for GASB 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information

It is important to note that the disclosures related to GASB 67 are accounting measurement, not actuarial measurement of the funded status of the plan, and are not used to develop employer contribution rates.

GASB statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *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. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

3. Deposits and Investments

Deposits

Fifth-Third Bank (Fifth-Third) (Formerly) and Fiduciary Trust International of the South (FTIOS) as of December 23, 2016, periodically holds uninvested cash in its respective capacity as custodian for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

3. Deposits and Investments (Continued)

Investments

Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended mutual funds and commingled pooled trust funds.

The Plan's independently managed investments other than cash held by its custodian, are segregated into six separate accounts and managed under a separate investment agreement with Sawgrass Asset Management, LLC, GAMCO Asset Management, LLC and Garcia Hamilton & Associates, LP. Three investment funds are also held by the custodian. These accounts give Fifth-Third the custodianship, but give the listed investment managers the authority to manage the investments. These assets are invested in accordance with the Plan's specific investment guidelines. Investment management fees are calculated quarterly as a percentage of the fair market value of the Plan's assets managed.

The investment managers listed above are monitored by the Board of Trustees and the investment advisor.

The American Core Realty Fund, LLC is an alternative investment vehicle valued using the net asset value (NAV) provided by the investment manager of this fund. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities and then divided by the number of shares or percentage of ownership outstanding. The NAV's unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments which are traded on an active market.

The values of this alternative investment is not necessarily indicative of the amount that could be realized in a current transaction. The fair value may differ significantly from the value that would have been used had a ready market for the underlying fund existed, and the differences could be material. Future confirming events will also affect the estimates of fair value and the effect of such events on the estimated fair value could be material.

The Plan has no instrument that, in whole or in part, is accounted for as a derivative instrument under GASB statement No.53, *Accounting and Financial Reporting for Derivative Instruments* during the current Plan year.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

3. Deposits and Investments (Continued)

The Plan held the following fixed income investments as of September 30, 2017:

<u>Investment Type</u>	<u>Fair Value 9/30/17</u>	<u>Rating Standard & Poor's Index</u>	<u>Effective Duration (Years)</u>
U.S. Government securities	\$ 2,455,057	AA	8.2
U.S. Government agency securities	5,288,080	A	6.3
Corporate bonds	3,442,672	BBB-A	4.6
Temporary investments	<u>1,930,973</u>	N/A	Daily
	<u>\$ 13,116,782</u>		

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risks. Through its investment policies the Plan manages its exposure to fair value losses rising from increasing interest rates. The Plan limits the effective duration of its investment portfolio through the adoption of the Barclays Government/Credit-Intermediate benchmark.

Credit Risk - Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law the Plan's investment guidelines limit its fixed income investments to a quality rating of "BBB" or equivalent as rated by Moody's or by Standard & Poor's bond rating services at the time of purchase. Fixed income investments which are downgraded below the minimum rating must be liquidated at the earliest beneficial opportunity.

Custodial Credit Risk - Custodial credit risk is defined as the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third party custodian in the name of the Plan. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. The investment in mutual funds and investment in partnerships are considered *unclassified* pursuant to the custodial risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book-entry form.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

3. Deposits and Investments (Continued)

Investing in Foreign Markets - Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized or unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

Foreign Tax Withholdings and Reclaims - Withholding taxes on dividends from foreign securities are provided for based on rates established via treaty between the United States of America and the applicable foreign jurisdiction, or where no treaty exists at the prevailing rate established by the foreign country. Foreign tax withholdings are reflected as a reduction of dividend income in the Statement of Changes in Fiduciary Net Position. Where treaties allow for a reclaim of taxes, the Plan will make a formal application for refund. Such reclaims are included as an addition to dividend income.

Investing in Real Estate - The Plan is subject to the risks inherent in the ownership and operation of real estate. These risks include, among others, those normally associated with changes in the general economic climate, trends in the industry including creditworthiness of tenants, competition for tenants, changes in tax laws, interest rate levels, the availability of financing and potential liability under environmental and other laws.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

**4. Net Increase (Decrease) in Realized and
Unrealized Appreciation (Depreciation) of Investments**

The Plan's investments appreciated (depreciated) in value during the year ended September 30, 2017 and 2016 as follows:

	2017			2016		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:						
U.S. Government securities	\$ (32,009)	\$ (114,591)	\$ (146,600)	\$ 214,495	\$ 86,345	\$ 300,840
U.S. Government agency securities	(54,461)	(92,190)	(146,651)	(166,033)	215,332	49,299
Corporate bonds	(14,922)	10,295	(4,627)	58,601	(127,529)	(68,928)
International fixed income investment fund	-	184,228	184,228	-	(42,717)	(42,717)
Domestic stock	649,617	1,518,774	2,168,391	232,627	1,020,564	1,253,191
Domestic equity investment fund	-	1,182,561	1,182,561	-	804,005	804,005
International equity investment fund	-	584,728	584,728	-	164,553	164,553
Real estate investment fund	-	45,872	45,872	-	90,790	90,790
Net increase in realized and unrealized appreciation (depreciation) of investments	<u>\$ 548,225</u>	<u>\$ 3,319,677</u>	<u>\$ 3,867,902</u>	<u>\$ 339,690</u>	<u>\$ 2,211,343</u>	<u>\$ 2,551,033</u>

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

**4. Net Increase (Decrease) in Realized and
Unrealized Appreciation (Depreciation) of Investments**

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments.

Unrealized gains and losses on investments sold in 2017 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

5. Investments

The Plan's investments at both carrying value and cost or adjusted cost as of September 30, 2017 and 2016 are summarized as follows:

Investment	2017		2016	
	Cost	Fair Value	Cost	Fair Value
U.S. Government securities	\$ 2,386,980	\$ 2,455,057	\$ 1,898,640	\$ 2,081,308
U.S. Government agency securities	5,375,045	5,288,080	6,974,021	6,979,247
Corporate bonds	3,415,209	3,442,672	2,108,509	2,125,677
International fixed income investment fund	2,179,311	2,083,259	2,118,088	1,837,803
International equity investment fund	3,764,678	4,226,632	3,626,452	3,503,679
Domestic stocks	14,812,644	18,690,137	14,329,890	16,688,609
Domestic equity investment fund	6,699,582	8,522,256	6,543,236	7,183,349
Real estate investment fund	2,648,218	3,721,219	2,472,196	3,499,326
Temporary investments	1,930,975	1,930,973	1,322,735	1,322,735
Total	<u>\$ 43,212,642</u>	<u>\$ 50,360,285</u>	<u>\$ 41,393,767</u>	<u>\$ 45,221,733</u>

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

6. Investment Measurement at Fair Value

Fair Value Hierarchy

The accounting standards break down the fair value hierarchy into three levels based on how observable the inputs are that make up the valuation. The most observable inputs are classified as Level 1 where the unobservable inputs are classified as Level 3.

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

As a general rule, any asset that has a daily closing price and is actively traded will be classified as a Level 1 input.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

As a general rule, if an asset or liability does not fall into the requirements of a Level 1 or Level 3 input, it would default to Level 2. With Level 2 inputs, there is usually data that can be easily obtained to support the valuation, even though it is not as easily obtained as a Level 1 input would be.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

6. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party, such as an auditor or an appraisal, to validate the valuation.

Net asset value (NAV) is a common measurement of fair value for Level 1, Level 2, and Level 3 investments. A fund's NAV is simply its assets less its liabilities, and is often reported as a per share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV also comes in to play for Level 2 and 3 investments. As a matter of convenience (or referred to in accounting literature as a "practical expedient"), a Plan can use the NAV per share for investments in a nongovernmental entity that does not have a readily determined fair value, such as an alternative investment. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund's reported NAV as a matter of convenience.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

6. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

- *Debt securities* - Debt securities classified in Level 1 or Level 2 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used by International Data Pricing and Reference Data, LLC to value securities based on the securities' relationship to benchmark quoted prices.
- *Mutual funds* - The rationale for inclusion in Level 1 or Level 2 points to the unobservable inputs involved in mutual fund pricing. Mutual funds do not trade using bid and ask, as with ETF's or common stock. Instead, the prices are determined by the net asset value of the underlying investments at the close of business for the next day's open. The underlying assets themselves may include a variety of Level 1 and Level 2 securities and some may be valued using matrix pricing which interpolates the price of a security based on the price of similar securities.
- *Fixed income funds* - Valued using pricing models maximizing the use of observable input for similar securities. This includes basing value on yield currently available on comparable securities of issues with similar credit ratings.
- *Equity funds* - Valued at market prices for similar assets in active markets.
- *Common stock* - Valued at quoted market prices for identical assets in active markets.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

6. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Trust has the following total recurring fair value measurements as of September 30, 2017 and 2016:

	September 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Government securities	\$ 2,455,057	\$ -	\$ 2,455,057	\$ -
U.S. Government agency securities	5,288,080	-	5,288,080	-
Corporate bonds	3,442,672	-	3,442,672	-
International fixed investment fund	2,083,259	2,083,259	-	-
Domestic stocks	18,690,137	18,690,137	-	-
Domestic equity investment fund	8,522,256	8,522,256	-	-
International equity investment fund	4,226,632	4,226,632	-	-
Temporary investments	<u>1,930,973</u>	<u>1,930,972</u>	-	-
Total investments by fair value level	46,639,066	<u>\$ 35,453,256</u>	<u>\$ 11,185,809</u>	<u>\$ -</u>
Investment measured at the net asset value (NAV):				
Real estate investment fund	<u>3,721,219</u>			
Total investment measured at the NAV	<u>3,721,219</u>			
Total investments measured at fair value	<u>\$ 50,360,285</u>			

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

6. Investment Measurement at Fair Value (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

<u>Investments measured at the NAV</u>	<u>Fair Value 9/30/17</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate investment fund	\$ 3,721,219	\$ -	Quarterly	90 days
Total investment measured at NAV	<u>\$ 3,721,219</u>	<u>\$ -</u>		

The real estate investment fund (U.S. Real Estate Investment Fund, LLC.) is an open end, commingled private real estate portfolio. This REIT - based fund is structured as a Limited partnership. Its primary focus is to invest in well-leased, income producing properties within major U.S. markets. The fair values of the investments in this fund have been determined using the NAV per unit of the Trust's ownership interest in partners' capital. The investments of the fund are valued quarterly. Withdrawal requests must be made 90 days in advance and may be paid in one or more installments.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

6. Investment Measurement at Fair Value (Continued)

	September 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Government securities	\$ 2,081,308	\$ -	\$ 2,081,308	\$ -
U.S. Government agency securities	6,979,247	-	6,979,247	-
Corporate bonds	2,125,677	-	2,125,677	-
International fixed investment fund	1,837,803	1,837,803	-	-
Domestic stocks	16,688,609	16,688,609	-	-
Domestic equity investment fund	7,183,349	7,183,349	-	-
International equity investment fund	3,503,679	3,503,679	-	-
Temporary investments	<u>1,322,735</u>	<u>1,322,735</u>	-	-
Total investments by fair value level	41,722,407	\$ <u>30,536,175</u>	\$ <u>11,186,232</u>	\$ -
Investment measured at the net asset value (NAV):				
Real estate investment fund	<u>3,499,326</u>			
Total investment measured at the NAV	<u>3,499,326</u>			
Total investments measured at fair value	<u>\$ 45,221,733</u>			

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

6. Investment Measurement at Fair Value (Continued)

<u>Investments measured at the NAV</u>	<u>Fair Value 9/30/16</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate investment fund	\$ 3,499,326	\$ -	Quarterly	90 days
Total investment measured at NAV	<u>\$ 3,499,326</u>	<u>\$ -</u>		

7. Mortgage-Backed Securities

The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

All of the Plan's financial investments are carried at fair value on the Statement of Fiduciary Net Position included in investments. The gain or loss on financial instruments is recognized and recorded on the Statement of Changes in Fiduciary Net Position as part of the investment income.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

8. Designations

A portion of the plan net assets are designated for benefits that accrue in relation to the DROP accounts as further described in Note 1. Allocations to the DROP accounts for the year ended September 30, 2017 are presented below as determined in the most recent annual valuation available for the year ended September 30, 2017:

Designated for DROP accounts (fully funded)	\$ 1,742,258
Designated for Share accounts (fully funded)	<u>252,169</u>
Total designated net position	1,994,427
Undesignated net position	<u>48,633,752</u>
Total net position	<u>\$ 50,628,179</u>

9. Plan Amendments

The Plan was amended during the fiscal year ended September 30, 2017 as follows:

Under Chapter 2015-39, Laws of Florida, the State Monies are allocated as follows:

a. Police Officers

Under the "Default" provision of Chapter 2015-39, Laws of Florida, the first \$223,377.02 received annually will offset the City's contribution requirement. Future State Monies received for the Police Officers' portion of the Plan in excess of \$223,377.02 will be split 50/50 with 50% allocated to the newly established Share Plan, and 50% allocated as a credit to the City's annual contribution requirement.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

9. Plan Amendments (Continued)

a. Police Officers (Continued)

Additionally, \$167,358.08 of the Reserve is allocated as a credit to the UAAL, and \$193,673.55 of the Reserve is allocated to the Police portion of the newly established Share Plan.

b. Firefighters

Per Mutual Consent between the City and Firefighter Members, the first \$171,631.09 received annually will offset the City's contribution requirement. Since the Mutual Consent Agreement did not specify the baseline for determination of excess monies, the \$171,631.09 is the difference between the prior "frozen" State Contribution of \$421,323.57 and the current Police portion of the State Monies determined under the "Default" method (\$249,692.48).

Future State Monies received for the Firefighters' portion of the Plan in excess of \$171,5321.09 will be allocated as a credit against the UAAL. If no UAAL exists, the Firefighter State Monies in excess of \$171,631.09 will offset the City's annual funding obligation.

Additionally, the Mutual Consent Agreement allocates the Firefighters' portion of the Reserve to the UAAL. This amount is \$303,412.77, which is the remaining portion of the total Reserve amount of \$644,444.40 after allocation of the Police portion to the UAAL and Share Plan as described in item (a) above).

Amortization Method

The net change in the Unfunded Accrued Liability associated with Excess State Monies Reserve credit is amortized as a level percentage of pay (using the current 2.64% payroll growth assumption) over 20 years.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

9. Plan Amendments (Continued)

A comparison of the impact on the City Required Contribution (per Chapter 112, Florida Statutes), and the Required City Contributions is summarized as follows:

1. For Firefighters' hired after September 30, 2015, the Police Officers hired after the effective date (May 16, 2017) of the Ordinance, a reduction in the benefit accrual rate from 3.50% to 3.25% for all years of Credited Service. Additionally, the maximum benefit for these new hires is 81.25% of Average Final Compensation.
2. For Firefighters hired after September 30, 2015, and Police Officers hired after the effective date of the Ordinance, 100% vesting upon the completion of 7 years of Credited Service. The 7 year vesting requirement is also required for meeting the eligibility requirements for non-line-of-duty Disability Requirements and a 7 year vesting requirement has also been utilized for meeting the eligibility requirement for pre-retirement Death Benefits.
3. For Police Officers hired after the effective date of the Ordinance associated with this Impact Statement, the minimum Disability benefit (line-of-duty and non-line-of-duty) is 55.00% of Average Final Compensation.
4. Establishment of a Share Plan. The Police portin of the Share Plan is credited with \$193,673.55. The Police portion of State Monies has been determined under the "Default" provision of Chapter 2015-39, Laws of Florida.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

9. Plan Amendments (Continued)

5. Crediting of \$470,771 of the Excess State Monies Reserve (Reserve) to the Unfunded Actuarial Accrued Liability (UAAL). This amount is the sum of the following:
 - a. Police portion of the Reserve: \$167,358.08, as determined under the "Default" provision of Chapter 2015-39, Laws of Florida.
 - b. Fire portion of the Reserve: \$303,412.77. This is the remaining portion of the existing Reserve, after allocation of the Police portion of the Reserve to the UAAL and Share Plan.

6. Compliance language pursuant to requirements under the Internal Revenue Code.

The cost impact of the above changes determined as of October 1, 2016, is shown below:

	<u>Proposed</u>	<u>Current</u>
Balance from City:		
% of Total Annual Payroll	<u>29.58%</u>	<u>30.12%</u>

The Plan was not amended during the fiscal year ended September 30, 2016.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

10. Plan Termination

Although it has not expressed an intention to do so, the City may terminate the Plan at any in accordance with the provisions of the Plan and the provisions of Florida Statutes §185.37 and §175.361. In the event that the Plan is terminated or contributions to the Plan are permanently discontinued, the benefits of each firefighter and police officer in the Plan at such termination date would be non-forfeitable.

11. Commitments and Contingencies

As described in Note 1, certain members of the Plan are entitled to refunds of their accumulated contributions, with interest, upon termination of employment with the City prior to being eligible for pension benefits. At September 30, 2017 aggregate contributions from active members of the Plan were approximately 555,400. The portion of these contributions which are refundable to participants who may terminate with less than ten years of service has not been determined.

12. Risk and Uncertainties

The Plan invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments 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.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

13. Actuarial Assumption/Method Changes

- The investment return assumption has been reduced from 7.95% to 7.90% (net of fees). This assumption will be reduced annually by 5 basis points until it reaches an ultimate rate of 7.75% with the October 1, 2020 actuarial valuation.
- Pursuant to the provisions of Chapter 2015-157, Laws of Florida, the mortality assumption reflects a change from the rates utilized by the Florida Retirement System in the July 1, 2015 valuation to those utilized in the July 1, 2016 valuation for special risk participants.

14. Net Pension Liability of the City

The components of the net pension liability of the City on September 30, 2017 were as follows:

Total pension liability	\$ 56,898,388
Plan fiduciary net position	<u>50,628,179</u>
City's net pension liability	<u><u>\$ 6,270,209</u></u>
Plan fiduciary net position as a percentage of total pension liability	<u><u>88.98%</u></u>

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

14. Net Pension Liability of the City (Continued)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary increases	Service based
Investment rate of return	7.90%
Discount rate	7.90%

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.

The most recent actuarial experience study used to review the other significant assumptions was dated October 30, 2015.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

14. Net Pension Liability of the City (Continued)

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. Best estimates of arithmetic real rates of return for each major asset class included the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Target Allocation</u>	<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
45.00%	Domestic Equity	6.00%
15.00%	International Equity	8.50%
25.00%	Broad Market Fixed Income	2.50%
5.00%	Global Bond	4.50%
10.00%	Real Estate	2.50%

Discount Rate - The discount rate used to measure the total pension liability was 7.90 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

14. Net Pension Liability of the City (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.90%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.90 percent) or 1-percentage-point higher (8.90 percent) than the current rate.

	1% Decrease <u>6.90%</u>	Current Discount Rate <u>7.90%</u>	1% Increase <u>8.90%</u>
City's net pension liability \$	\$ <u>13,074,438</u>	\$ <u>6,270,209</u>	\$ <u>613,202</u>

It is important to note that the disclosures related to GASB 67 are accounting measurement, not actuarial measurements of the funded status of the Plan, and are not used to develop City contribution rates.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

September 30, 2017

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY

Last Four Fiscal Years

	September 30, <u>2017</u>	September 30, <u>2016</u>	September 30, <u>2015</u>	September 30, <u>2014</u>
Total pension liability:				
Service cost	\$ 1,479,035	\$ 1,222,895	\$ 1,245,860	\$ 1,315,099
Interest	4,358,555	3,971,419	3,824,345	3,492,209
Changes in excess state money	(664,444)	135,836	95,618	94,656
Share Plan allocations	231,069	-	-	-
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	455,694	(315,979)	(146,497)	-
Changes of assumptions	475,896	416,293	-	-
Benefit payments including refunds of employee contributions	<u>(2,718,560)</u>	<u>(2,478,996)</u>	<u>(2,234,869)</u>	<u>(1,812,744)</u>
Net change in total pension liability	3,617,245	2,951,468	2,784,457	3,089,220
Total pension liability - beginning	<u>53,281,143</u>	<u>50,329,675</u>	<u>47,545,218</u>	<u>44,455,998</u>
Total pension liability ending (a)	<u>\$ 56,898,388</u>	<u>\$ 53,281,143</u>	<u>\$ 50,329,675</u>	<u>\$ 47,545,218</u>
Plan fiduciary net position:				
Contributions - employer	\$ 1,813,985	\$ 1,750,633	\$ 1,726,011	\$ 1,955,278
Contribution - State	564,099	557,160	516,941	515,981
Contribution employees	601,901	593,431	584,706	616,400
Contributions - buy-back	-	-	-	-
Net investment income	5,072,623	3,473,057	382,759	3,869,940
Benefit payments, including refunds of employee contributions	(2,718,560)	(2,478,996)	(2,234,869)	(1,812,744)
Administrative expenses	<u>(81,928)</u>	<u>(100,990)</u>	<u>(93,897)</u>	<u>(77,263)</u>
Net change in plan fiduciary net position	5,252,120	3,794,295	881,651	5,067,592
Plan fiduciary net position - beginning	<u>45,376,059</u>	<u>41,581,764</u>	<u>40,700,113</u>	<u>35,632,521</u>
Plan fiduciary net position - ending (b)	<u>\$ 50,628,179</u>	<u>\$ 45,376,059</u>	<u>\$ 41,581,764</u>	<u>\$ 40,700,113</u>
Net pension liability (asset) (a) - (b)	<u>\$ 6,270,209</u>	<u>\$ 7,905,084</u>	<u>\$ 8,747,911</u>	<u>\$ 6,845,105</u>

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND
September 30, 2017**

**SCHEDULE OF RATIOS
Last Four Fiscal Years**

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>88.98%</u>	<u>85.16%</u>	<u>82.57%</u>	<u>85.60%</u>
Covered employee payroll	<u>\$ 7,523,761</u>	<u>\$ 7,417,886</u>	<u>\$ 8,310,219</u>	<u>\$ 7,705,028</u>
Net pension liability as a percentage of covered payroll	<u>83.34%</u>	<u>106.57%</u>	<u>105.27%</u>	<u>88.83%</u>

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND
September 30, 2017**

**SCHEDULE OF CONTRIBUTIONS
Last Four Fiscal Years**

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Actuarially determined contributions	\$ 2,235,309	\$ 2,171,957	\$ 2,147,335	\$ 2,364,673
Contributions in relation to the actuarially determined contributions	<u>2,246,389</u>	<u>2,183,650</u>	<u>2,147,335</u>	<u>2,364,673</u>
Contribution deficiency (excess)	\$ <u>(11,080)</u>	\$ <u>(11,693)</u>	\$ <u>-</u>	\$ <u>-</u>
Covered employee payroll	\$ <u>7,523,761</u>	\$ <u>7,417,886</u>	\$ <u>8,310,219</u>	\$ <u>7,705,028</u>
Contributions as a percentage of covered employee payroll	<u>29.86%</u>	<u>29.44%</u>	<u>25.84%</u>	<u>30.69%</u>

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

September 30, 2017

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation date: October 1, 2015

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method:	Entry age normal actuarial cost method.
Amortization method:	Level percentage of pay, closed.
Remaining amortization period:	27 years (as of 10/01/2015).
Inflation	3.00% per year.
Salary increases:	6.00% per year until the assumed retirement age.
Interest rate:	8.00% per year, compounded annually, net of investment related expenses.
Payroll growth:	3.0% per year.
Normal Retirement:	Earlier of age 55 with 10 years of service, or 25 years of service regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early retirement:	Commencing with the earliest assumed retirement date (age 45 with 5 years of service). Members are assumed to retire with an immediate subsidized benefit at the rate of 1% per year.
Termination rates:	See table below.
Disability rates:	See table below. It is assumed that 75% of disablements and active Member deaths are service related.
Mortality:	RP-2000 Combined Healthy - sex distinct. Disabled lives are set forward five years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
Actuarial Asset Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

September 30, 2017

NOTES TO SCHEDULE OF CONTRIBUTIONS CONTINUED)

Other information:

Termination and disability rate table.

Age	Percent Terminating During the Year	Percent Becoming Disabled During the Year
20	17.2%	0.14%
30	15.0%	0.18%
40	8.2%	0.30%
50	1.7%	1.00%

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

September 30, 2017

SCHEDULE OF INVESTMENT RETURNS

Last Four Fiscal Years

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual money-weighted rate of return net of investment expenses	<u>10.90%</u>	<u>8.41%</u>	<u>0.84%</u>	<u>10.95%</u>

ADDITIONAL INFORMATION

**CITY OF OCOEE MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT TRUST FUND**

SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES
Years ended September 30, 2017 and 2016

	2017		2016	
	Investment Expenses	Administrative Expenses	Investment Expenses	Administrative Expenses
Expenses:				
Actuary fees	\$ -	\$ 30,312	\$ -	\$ 33,631
Administrator's fees	-	25,252	-	25,582
Audit fees	-	-	-	21,500
Custodial fees	13,334	-	10,523	-
Directors' liability insurance	-	3,047	-	3,967
Dues and subscriptions	-	600	-	600
Investment managers' fees:				
Westend Advisors, LLC	-	-	-	-
Sawgrass Asset Management, LLC	54,480	-	49,798	-
GAMCO Asset Management, LLC	70,572	-	59,452	-
Garcia, Hamilton & Associates, LP	28,160	-	27,780	-
Legal fees	-	18,023	-	6,555
Performance monitor	24,250	-	22,000	-
Seminars and travel	-	4,694	-	9,155
	<u>\$ 190,796</u>	<u>\$ 81,928</u>	<u>\$ 169,553</u>	<u>\$ 100,990</u>
Percentage of net position	<u>0.37 %</u>	<u>0.16%</u>	<u>0.37 %</u>	<u>0.22%</u>