

**CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS
RETIREMENT SYSTEM**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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&
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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
City of Dania Beach Police and Firefighters Retirement System

We have audited the accompanying financial statements of the City of Dania Beach Police and Firefighters Retirement System, which comprise the statements of fiduciary net position as of September 30, 2016 and 2015, and the related statements 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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Dania Beach Police and Firefighters Retirement System as of September 30, 2016 and 2015, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 and the schedules of contributions from employers and other contributors, schedules of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 22-25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2017, on our consideration of the City of Dania Beach Police and Firefighters Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Dania Beach Police and Firefighters Retirement System's internal control over financial reporting and compliance.

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

Weston, Florida
January 19, 2017

CITY OF DANIA BEACH

POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management Discussion and Analysis of the City of Dania Beach Police and Firefighters Retirement System's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2016. Please read it in conjunction with the Plan financial statements, which immediately follow.

General Overview of the Plan

The Plan was first established on March 1, 1977 and later amended to provide retirement, disability and death benefits for all full-time firefighters of the City of Dania Beach, Florida (the City), and those police officers who elected to remain in the Plan prior to the transfer of the Police Department to the Broward Sheriff's Office. It is defined in Chapter 18 of the Code of Ordinances of the City, which is amended from time to time. The Plan is also governed by certain provisions of Part VII, Chapter 112, Chapter 175 and Chapter 185 of the Florida Statutes. There is a board of trustees (the Board) in whom the general administration, management and responsibility for the proper operation of the system is vested.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: Management Discussion and Analysis, the basic financial statements, notes to the financial statements and other required supplemental information.

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

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

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

Financial Highlights

The Plan's financial statements net results from operations for fiscal year 2016 reflected the following financial activities:

- Total fiduciary net position was \$40,753,033, which was 20% greater than 2015 total fiduciary net position.
- Total contributions were \$8,368,403, which was 63% greater than the 2015 contributions.
- Total interest and dividend earnings were \$835,642, which was 13% greater than the 2015 earnings.

CITY OF DANIA BEACH

POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Highlights (Continued)

- Net investment income was \$2,577,116, which was 1378% greater than the 2015 loss.
- Benefits paid were \$3,651,648, which was 0.45% lower than 2015.
- Firefighter member contributions were 24.6% of compensation. There were no active police officers in the Plan.

Statement of Fiduciary Net Position

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

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

- Fiduciary net position at September 30, 2016 was \$40,753,033 a 20% increase from Fiduciary net position at September 30, 2015.
- Total investments at September 30, 2016 were \$36,339,766, a 21% increase from the investments at September 30, 2015.

	2016	2015	% Change
Cash and cash equivalents	\$ 2,838,362	\$ 3,337,071	0%
Investments, at fair value	36,339,766	30,027,730	21%
Receivables	1,606,297	629,980	155%
Other assets	15,395	55,095	(72%)
Total assets	40,799,820	34,049,876	20%
Total liabilities	46,787	191,246	(76%)
Fiduciary net position	\$ 40,753,033	\$ 33,858,630	20%

Statement of Changes in Fiduciary Net Position

The Statement of Changes in Fiduciary net position presents the effect of pension plan transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the plan equal net increase or decrease in Fiduciary Net Position.

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

- Revenues (additions to the fiduciary net position) for the Plan were \$10,950,678, which was made up of employer and employee contributions of \$8,368,403 plus net investment income of \$2,577,116 and other income of \$5,159.

CITY OF DANIA BEACH

POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position (Continued)

- Expenses (deductions from the fiduciary net position) decreased from \$4,071,658 during 2015 to \$4,056,275 during 2016.

	2016	2015	% Change
Total contributions	\$ 8,368,403	\$ 5,134,148	63%
Net investment income (loss)	2,577,116	(201,654)	1378%
Miscellaneous income	5,159	3,935	31%
Total additions	10,950,678	4,936,429	122%
Total deductions	4,056,275	4,071,658	(0%)
Net increase	6,894,403	864,771	697%
Fiduciary net position – beginning	33,858,630	32,993,859	3%
Fiduciary net position – ending	\$ 40,753,033	\$ 33,858,630	20%

Asset Allocation

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2016:

Type of Investment	Investment policy	Actual Allocation
Domestic equities	40 to 60%	52.30%
International	0% to 20%	8.03%
Fixed income	15% to 30%	19.04%
Real estate	0% to 15%	13.24%
Cash and cash equivalents	minimum	7.39%

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

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

Investment Activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended on September 2013.

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Investment Activities (Continued)

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

Financial Analysis Summary

The investment activities, for the fiscal year ended September 30, 2016 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's Financial Management

This financial analysis is designed to provide the Board of Trustees, plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the City of Dania Beach Police and Firefighters Retirement System: Attn: Cathy David, Administer, City of Dania Beach Police and Fire Retirement System, 113 SW 1st Street, Dania Beach, FL 33004.

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 2,838,362	\$ 3,337,071
RECEIVABLES:		
Employer contributions	141,019	124,482
Employee contributions	29,611	55,487
State contributions	24,718	37,279
Accrued investment income	44,538	44,456
Accounts receivable - sale of investments	-	57,153
Notes receivable from participants	1,366,411	311,123
TOTAL RECEIVABLES	<u>1,606,297</u>	<u>629,980</u>
INVESTMENTS, AT FAIR VALUE:		
Common Stocks	17,608,715	16,933,076
Corporate bonds	2,684,114	2,730,831
Government securities	5,098,941	3,713,735
Mutual funds	5,900,344	2,166,425
Real estate funds	5,047,652	4,483,663
TOTAL INVESTMENTS, AT FAIR VALUE	<u>36,339,766</u>	<u>30,027,730</u>
OTHER ASSETS	<u>15,395</u>	<u>55,095</u>
TOTAL ASSETS	<u>40,799,820</u>	<u>34,049,876</u>
LIABILITIES		
ACCOUNTS PAYABLE	46,787	38,275
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	-	152,971
TOTAL LIABILITIES	<u>46,787</u>	<u>191,246</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR PENSIONS:		
Net position restricted for DROP benefits	1,023,539	783,646
Net position restricted for defined benefits	39,729,494	33,074,984
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 40,753,033</u>	<u>\$ 33,858,630</u>

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

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ADDITIONS:		
Contributions:		
Employer	\$ 5,537,300	\$ 3,776,003
Employees	644,675	730,772
Buybacks	1,739,648	185,482
State chapter 175 and 185	446,780	441,891
Total contributions	<u>8,368,403</u>	<u>5,134,148</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	1,954,722	(725,915)
Interest and dividend income	835,642	738,014
Total investment income	<u>2,790,364</u>	<u>12,099</u>
Less: investment expenses	<u>213,248</u>	<u>213,753</u>
Net investment income (loss)	<u>2,577,116</u>	<u>(201,654)</u>
Other income	<u>5,159</u>	<u>3,935</u>
TOTAL ADDITIONS	<u>10,950,678</u>	<u>4,936,429</u>
DEDUCTIONS:		
Service retirement benefits	2,301,251	2,286,455
Disability retirement benefits	326,400	327,654
Beneficiary payment benefits	211,912	213,584
DROP benefits	812,085	840,527
Insurance subsidy - fire	106,632	116,445
Insurance subsidy - police	137,209	145,985
Administrative expenses	160,786	141,008
TOTAL DEDUCTIONS	<u>4,056,275</u>	<u>4,071,658</u>
NET INCREASE IN NET POSITION		
RESTRICTED FOR PENSIONS	6,894,403	864,771
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>33,858,630</u>	<u>32,993,859</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u>\$ 40,753,033</u>	<u>\$ 33,858,630</u>

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

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

Investments are reported at fair value (see Note 3). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (see Note 4 for discussion of fair value measurements).

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

Basis of Accounting and Use of Estimates

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

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the City of Dania Beach Police and Firefighters Retirement System (the Plan) provides only general information. Participants should refer to the Plan document and City ordinance 18-40, as amended, for more detailed and comprehensive information.

General

The Plan is a single-employer defined benefit retirement plan covering all eligible firefighters and certain police officers that were formerly employees of the City.

Management of the Plan is vested in the Board, which consists of nine (9) persons as follows: Four (4) legal residents of the city appointed by the city commission; two (2) active firefighters, or firefighters who are in the Deferred Retirement Option Plan (DROP), elected by a majority of the firefighters who are members of the system, or a retired member when active firefighter membership falls below ten (10), elected by a majority of the firefighters, active or retired who are members of the system, as hereinafter provided; two (2) police officers, or police officers who are in the DROP, elected by a majority of the police officers who are members of the system or retired members when active police officer membership falls below ten (10), elected by a majority of the police officers, active or retired who are members of the system and a ninth person chosen by a majority of the previous eight (8) members of the board of trustees.

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Plan Membership

At September 30, 2016, pension plan membership consisted of the following:

Retirees and beneficiaries	58
Fully vested, partially vested and non-vested active employees covered by the Plan	<u>28</u>
	<u>86</u>

Eligibility

Eligible for the Plan are the firefighters of the City and certain police officers that were formerly employed by the City but now are employed by the Broward County Sheriff's Office. As of October 1, 1988, the police officers of the City became employees of the Broward County Sheriff's Office pursuant to a service agreement dated August 30, 1988 between the City and the Sheriff of Broward County. As of January 29, 2011, the firefighters of the City also became employees of the Broward County Sheriff's Office. The Plan became closed to new participants at that time.

Benefits

➤ ***Normal Retirement Benefit***

Normal retirement – Police officers who have attained fifty-five years of age and completed ten years of continuous service and firefighters who have attained age 55 and completed 8 years of continuous service may retire with normal retirement benefits. Either firefighters or police officers that have completed twenty-five years of continuous service, regardless of age, may retire with normal retirement benefits. The monthly retirement benefit for firefighter members retiring before October 1, 1989, and for police officers who retire before October 1, 1991, shall equal 2.5% of average monthly earnings for each of the first thirty years of continuous service and 2% of average monthly earnings for each year of continuous service in excess of thirty-seven and one-half years, subject to a maximum of 100% of average monthly earnings. Average monthly earnings is defined as one twenty-fourth of the arithmetic average of earnings for the highest consecutive twenty-four month period preceding the member's date of termination.

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

➤ ***Normal Retirement Benefit*** (Continued)

The monthly retirement benefit for firefighter members retiring after October 1, 1989, and for police officers who retire after October 1, 1991, shall equal 3% of average monthly earnings for each of the first twenty-five years of continuous service and 2% of average monthly earnings for each year of continuous service in excess of thirty-seven and one-half years, subject to a maximum of 100% of average monthly earnings. The monthly retirement benefit for firefighter members retiring on or after January 1, 1999, shall equal 3% of average monthly earnings for each of the first fifteen years of continuous service and 4% of average monthly earnings for each of the next ten years of continuous service and 2% of average monthly earnings for each year of continuous service in excess of thirty-seven and one-half years, subject to a maximum of 100% of average monthly earnings.

➤ ***Early Retirement Benefit***

Early retirement – Early retirement date shall be when a member completes twenty years of continuous service or both attains fifty years of age and completes eight years of continuous service. A member retiring on or after his early retirement date but before his normal retirement date shall receive their normal retirement benefits actuarially reduced to take into account the member's younger age and the earlier commencement of retirement income payments, but not by more than 3% for each year the retiree is younger than the normal retirement age.

➤ ***Disability Retirement***

Any member who receives a service-connected injury, disease or disability, which injury, disease or disability permanently incapacitates the member, physically or mentally from the member's regular and continuous duties as a firefighter or police officer shall receive a monthly disability benefit equal to the greater of the member's accrued retirement benefit or 68% of the member's average monthly earnings in effect as of the date of disability for a disabled firefighter and the greater of the member's accrued retirement benefit or 60% of the member's average monthly earnings in effect as of the date of disability for a disabled police officer. The disability shall be paid until recovery from disability or if the member does not recover, death. Any member with one year of continuous service who receives a non-service connected injury, disease or disability, and which injury, disease or disability permanently incapacitates him physically or mentally from gainful employment shall receive in equal monthly installments a benefit of not less than the members accrued retirement benefit or 25% of their average monthly earnings as follows:

With less than 2 years	40%
With less than 3 years	45%
With less than 4 years	50%
With less than 5 years	55%
With 5 or more years	60%

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

➤ ***Disability Retirement*** (Continued)

These non-service incurred benefits are payable only until recovery as determined by the board or ten years certain and death thereafter for firefighter members or death for police officers.

➤ ***Pre-Retirement Death***

A death benefit of the benefits otherwise payable at early or normal retirement but not less than 40% of average monthly earnings is payable to the member's designated beneficiary if a member dies in the performance of services. In addition, a benefit of 7.5% of average monthly earnings is paid to each of the member's dependent children. The total death benefits to be paid to designated beneficiary and children shall not exceed 75% of average monthly earnings. For members who die while not on active duty, the Plan provides a benefit otherwise payable at early or normal retirement but not less than 35% of average monthly earnings and 7.5% for the designated beneficiary and dependent children, respectively. The total non-service-related death benefits for designated beneficiary and children shall not exceed 50% of average monthly earnings.

➤ ***Deferred Retirement Option Plan***

A member may enter in the DROP Plan after twenty-five but less than 30 years of credited service. The maximum duration of participation in the DROP shall be limited to seven years. Election into the DROP Plan is voluntary; however, the election is irrevocable once DROP payments begin. Members will cease to accrue a benefit and will not be eligible for disability or pre-retirement death benefits once the DROP election is made. Monthly normal retirement benefits that would be paid to members upon date of retirement are paid into the DROP account while the member is able to continue employment with the city.

Health insurance subsidy – All firefighter retirees and firefighter survivors receiving benefits shall be eligible for an annual health insurance subsidy equal to 75% of the prior year's actuarial gain allocable to firefighters, firefighter retirees and firefighter survivors remaining after the annual cost of living adjustments are applied. 75% of any increase in the percentage of covered payroll received by the City pursuant to section 175.121, Florida Statutes, over the amount received by the City in 1997 shall be defined as the "available actuarial gain". The available actuarial gain for a fiscal year is to be used to subsidize up to one year's payments for retiree health insurance due from each firefighter retiree and firefighter survivor who receives benefits from the system to cover one-third of the premium cost for such insurance or 100% of the cost if enough funds are made available. Should the available actuarial gain not be fully expended by the subsidy, then the balance together with any unexpended available actuarial gain from prior years shall be accrued by the retirement system. DROP participants shall receive credit for any such future benefits paid while participating in the DROP, but not for the health insurance subsidy.

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

➤ ***Funding***

Firefighters currently make contributions to the Plan at a rate equal to 24.6% of earnings. Firefighters hired prior to September 30, 2001 and those hired on or after October 1, 2001 contribute 2% and 6.46%, respectively, of their earnings through payroll deductions. The remaining contributions are made by the City on behalf of the firefighters.

Effective January 29, 2011 and amended September 25, 2013, the City and the Broward County Sheriff's office agreed that for the year ending September 30, 2013 and for all future fiscal years as long as annual employer pension contributions are required, the Broward County Sheriff's office will contribute \$513,354 to both the City Fire Pension and the City General Employee Pension. The contributed amount of \$513,354 will be divided between the City Fire Pension and the City General Employee Pension by \$497,927 and \$15,427 respectively. In the event the annual required employer pension is less than \$513,354 in any fiscal year; the Broward County Sheriff's office annual required employer contribution shall be the lesser amount.

The Broward County Sheriff's office refunds to the City the amount that the Sheriff's office would have paid to the Florida Retirement System on behalf of those police officers who remained in the System. For the years ended September 30, 2016 and 2015 no active police officers were participants in the plan.

For active participants, the Broward County Sheriff's office and City make an annual contribution to the Plan in a percentage of pensionable wages determined by the actuary by taking into consideration the amounts contributed by employees and the state of Florida (the State) under State law.

➤ ***Rate of Return***

For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

(Continued)

NOTE 3. INVESTMENTS

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The investment policy statement was last amended on September 2013. The following was the Board's adopted asset allocation policy as of September 30, 2016:

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equities	40% to 60%
International equities	0% to 20%
Fixed income	15% to 30%
Real estate	0% to 15%
Cash and cash equivalents	minimum

During the years ended September 30, 2016 and 2015, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated and depreciated in value by \$1,954,722 and \$725,915, respectively (reported as net appreciation (depreciation) in fair value of investments in the Statements of Changes in Net Fiduciary Position) as follows:

	<u>2016</u>	<u>2015</u>
Mutual funds	1,806,749	(308,636)
Real estate	174,611	357,861
Government securities	142,982	2,686
Corporate bonds	105,969	(32,021)
Common stocks	<u>(275,589)</u>	<u>(745,805)</u>
Total	<u>\$ 1,954,722</u>	<u>\$ (725,915)</u>

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

The Plan's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan's investments in government securities and corporate bonds had maturities within the yearly time frames as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
U.S. treasuries	\$ 3,569,437	-	1,452,864	1,462,410	654,163
Corporate bonds	2,684,114	\$ -	1,389,677	489,045	805,392
U.S. agencies	<u>1,529,504</u>	<u>-</u>	<u>49,295</u>	<u>19,900</u>	<u>1,460,309</u>
Totals	<u>\$ 7,783,055</u>	<u>\$ -</u>	<u>\$ 2,891,836</u>	<u>\$ 1,971,355</u>	<u>\$ 2,919,864</u>

CITY OF DANIA BEACH

POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(Continued)

NOTE 3. INVESTMENTS (Continued)

The term “credit risk” is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Plan’s corporate bonds and commercial paper were rated by Moody’s Investors Services as follows:

<u>Rating</u>	<u>Fair Value</u>
Aaa	\$ 4,029,723
Aa1	93,725
Aa2	127,441
Aa3	186,134
A1	97,011
A2	129,911
A3	524,772
Baa1	261,900
Baa2	422,810
Baa3	192,194
Unrated	<u>1,717,434</u>
Total	<u>\$ 7,783,055</u>

“Concentration of credit risk” is the risk inherent in concentrating too high a portion of the portfolio in the securities of any one issuer or type of investments. The Plan limits such investments as described earlier in this footnote. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2016.

“Foreign currency risk” is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars as well as the carrying value of foreign investments. The Plan’s exposure to foreign currency risk derives mainly from its investments in international equity funds and foreign bonds. The total foreign investments invested at September 30, 2016 was \$3,060,989. The investment policy limits the foreign investments to no more than 20% of the Plan’s investment balance. As of year-end, the foreign investments were 8.03% of total investments.

NOTE 4. FAIR VALUE MEASUREMENTS

GAAP provides a framework for measuring fair value, expands disclosures about fair value measurements, and establishes a fair value hierarchy which prioritizes the inputs used in measuring fair value summarized as follows:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

CITY OF DANIA BEACH

POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific contractual term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for asset measured at fair value. There have been no changes in methodologies used at September 30, 2016 and 2015.

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

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

Mutual funds: Valued at the daily closing price as reported by the Plan. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

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

Real estate: Valued at the net asset value of shares held by the Plan at year end.

Money market funds: Valued at fair value using amortized cost which approximated fair value.

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 17,608,715	\$ -	\$ -	\$ 17,608,715
Government securities	-	5,098,941	-	5,098,941
Corporate bonds	-	2,684,114	-	2,684,114
Mutual funds	5,900,344	-	-	5,900,344
Real estate	-	-	5,047,652	5,047,652
Money market funds	-	2,819,163	-	2,819,163
Total assets at fair value	<u>\$ 23,509,059</u>	<u>\$ 10,602,218</u>	<u>\$ 5,047,652</u>	<u>\$ 39,158,929</u>

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 16,933,076	\$ -	\$ -	\$ 16,933,076
Government securities	-	3,713,735	-	3,713,735
Corporate bonds	-	2,730,831	-	2,730,831
Mutual funds	2,166,425	-	-	2,166,425
Real estate	-	-	4,483,663	4,483,663
Money market funds	-	3,329,456	-	3,329,456
Total assets at fair value	<u>\$ 19,099,501</u>	<u>\$ 9,774,022</u>	<u>\$ 4,483,663</u>	<u>\$ 33,357,186</u>

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended September 30, 2016:

	<u>Real Estate</u>	<u>Totals</u>
Balance - beginning	\$ 4,483,663	\$ 4,483,663
Unrealized gains	128,330	128,330
Realized gains	46,281	46,281
Purchase, sales, issuances and settlements, net	389,378	389,378
Balance - ending	<u>\$ 5,047,652</u>	<u>\$ 5,047,652</u>

Gains and losses (realized and unrealized) included in net assets for the period above are reported in net appreciation in fair value of investments in the accompanying statements of changes in fiduciary net position.

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(Continued)

NOTE 5. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position available for benefits.

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

NOTE 6. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the City at September 30, 2016 were as follows:

Total pension liability	\$ 66,612,468
Plan fiduciary net position	<u>40,753,033</u>
City's net pension liability	<u>\$ 25,859,435</u>
Plan fiduciary net position as a percentage of the total pension liability	61.18%

The total pension liability, required to be reported under Governmental Accounting Standards, was determined by an actuarial valuation, as of September 30, 2016, using certain actuarial assumptions, the most significant of which were 7.00% for the investment rate of return, 6.00% for projected salary increases and 3.00% for inflation.

Mortality rates were based on the RP-2000 Combined Healthy Participant Mortality Table and the RP-2000 Mortality Table for Annuitants with future mortality improvements projected to all future years from the year 2000 using Scale BB.

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

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(Continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	Long-term expected real <u>rate of return</u>
Large Cap	30%	6.60%
Mid Cap	10%	8.60%
Small Cap	10%	6.50%
Developed Market	11%	2.90%
Emerging Market	4%	11.30%
Real Assets	15%	7.10%
Fixed Income	20%	2.70%

A single discount rate of 7.0% 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 7.0%. 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 (7.0%) was applied to all periods of projected benefit payments to determine the total pension liability

The sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% decrease	Current discount rate	1% increase
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Net pension liability	\$ 33,390,634	\$ 25,859,435	\$ 19,559,823

NOTE 7. NOTES RECEIVABLE FROM PARTICIPANTS

During the year ended September 30, 2016, participants bought back \$1,739,648 worth of time from the Plan by pledging future DROP payments that they would have been entitled to. During the year ended September 30, 2016 the participants repaid \$772,824 of the current and prior year advances plus \$88,464 of interest by foregoing the DROP benefit payments they were entitled to. The total unpaid balance at September 30, 2016 was \$1,366,411.

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

(Continued)

NOTE 8. INCOME TAXES

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

On November 12, 2014, the Plan obtained its most recent determination letter in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with applicable requirements of Internal Revenue Code 401(a), and therefore, no provision for federal income taxes has been made.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Board believe it is no longer subject to income tax examinations for years prior to September 30, 2013.

NOTE 9. SUBSEQUENT EVENTS

We evaluated subsequent events through January 19, 2017 the date that the financial statements were available to be issued.

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

SUPPLEMENTAL INFORMATION

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

SCHEDULES OF ADMINISTRATIVE EXPENSES

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ADMINISTRATIVE EXPENSES:		
Administrative fees	46,615	46,567
Meetings and conventions	26,677	18,475
Legal	26,670	23,913
Actuarial	23,282	13,880
Insurance	12,064	7,040
Rent	9,308	9,308
Audit	8,855	8,468
Office	4,845	10,183
Telephone	1,310	2,224
Utilities	646	599
Depreciation	439	351
Miscellaneous	75	-
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 160,786</u>	<u>\$ 141,008</u>

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

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS

AS OF SEPTEMBER 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 5,729,245	\$ 3,967,948	\$ 2,987,487
Actual employer contribution	<u>5,729,245</u>	<u>3,967,948</u>	<u>2,987,487</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 2,620,630</u>	<u>\$ 2,970,618</u>	<u>\$ 3,030,736</u>
Actual contributions as a percentage of covered-employee payroll	218.62%	133.57%	98.57%

Actuarial assumptions	
Actuarial cost method	Aggregate method
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	5 year smoothed market
Inflation:	3.00%
Salary increases	6.00%
Investment rate of return	7.00%
Mortality	RP-2000 Combined Healthy Participant Mortality Tables with future mortality improvements projected to all future years from the year 2000 using Scale BB.

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

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

AS OF SEPTEMBER 30, 2016

Year Ended <u>September 30</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2016	7.47%
2015	(0.57%)
2014	8.49%
2013	11.69%
2012	17.28%
2011	0.95%
2010	4.72%
2009	(3.41%)
2008	(12.90%)

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

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY:		
Service cost	\$ 1,226,373	\$ 1,145,724
Interest	4,337,463	4,171,246
Difference between actual and expected experience	1,314,433	392,918
Assumption changes	(1,436,329)	1,666,373
Benefit payments	(3,122,665)	(3,803,361)
Other	<u>1,994,483</u>	<u>435,428</u>
NET CHANGE IN TOTAL PENSION LIABILITY	4,313,758	4,008,328
TOTAL PENSION LIABILITY - BEGINNING	<u>62,298,710</u>	<u>58,290,382</u>
TOTAL PENSION LIABILITY - ENDING	<u>66,612,468</u>	<u>62,298,710</u>
 PLAN FIDUCIARY NET POSITION:		
Contributions - Employer	5,537,300	3,776,003
Contributions - State	446,780	441,891
Contributions- Member	644,675	730,772
Net investment income (loss)	2,582,275	(197,718)
Benefit Payments	(3,122,665)	(3,803,361)
Administrative expenses	(160,786)	(141,008)
Other	<u>966,824</u>	<u>58,192</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	6,894,403	864,771
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>33,858,630</u>	<u>32,993,859</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>40,753,033</u>	<u>33,858,630</u>
 NET PENSION LIABILITY - ENDING	<u>\$ 25,859,435</u>	<u>\$ 28,440,080</u>
 PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	61.18%	54.35%
 COVERED EMPLOYEE PAYROLL	\$ 2,620,630	\$ 2,970,618
 NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	986.76%	957.38%

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

CITY OF DANIA BEACH
POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

COMPLIANCE REPORT

SEPTEMBER 30, 2016

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

To the Board of Trustees of the
City of Dania Beach Police and Firefighters Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the City of Dania Beach Police and Firefighters Retirement System, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Dania Beach Police and Firefighters Retirement System's basic financial statements, and have issued our report thereon dated January 19, 2017

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dania Beach Police and Firefighters Retirement System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dania Beach Police and Firefighters Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dania Beach Police and Firefighters Retirement System's internal control.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dania Beach Police and Firefighters Retirement System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and 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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Weston, Florida
January 19, 2017