



1015 Cultural Park Blvd.
Cape Coral, FL

AGENDA

MEETING OF THE CITY OF CAPE CORAL AUDIT COMMITTEE

May 16, 2018	3:00 PM	Conference Room 2006
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1. Meeting called to order

A. Chair Wolfson

2. ROLL CALL

A. Austin, Hiatt, Nelson, Stevens, and Wolfson

3. APPROVAL OF MINUTES

A. Approval of Minutes - March 22, 2018 meeting

4. BUSINESS

A. Public Input

B. Pension Plan Audits FY 2017 - Clifton Larson Allen - External Auditors

C. Discussion of Communication with the Pension Boards - City Auditor Butola

D. City Auditor Update Report - City Auditor Butola

5. Member Comments

6. Time and Place of Next Meeting

A. Wednesday, June 20, 2018, 3:00 p.m. Conference Room 2006

7. Motion to Adjourn

<p>In accordance with the Americans with Disabilities Act and Section of 286.26, Florida Statutes, persons with disabilities needing special accommodation to participate in this meeting should contact the Office of the City Clerk at least forty-eight (48) hours prior to the meeting. If hearing</p>
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impaired, telephone the Florida Relay Service Numbers, 1-800-955-8771 (TDD) or 1-800-955-8770 (v) for assistance.

If a person decides to appeal any decision made by the Board/Commission/Committee with respect to any matter considered at such meeting or hearing, he will need a record of the proceedings, and for such purpose, he may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is based.

Item Number: 3.A.
Meeting Date: 5/16/2018
Item Type: Approval of Minutes

AGENDA REQUEST FORM
CITY OF CAPE CORAL



TITLE:

Approval of Minutes - March 22, 2018 meeting

SUMMARY:

ADDITIONAL INFORMATION:

ATTACHMENTS:

Description	Type
▢ March 22, 2018 meeting minutes	Backup Material

**MINUTES OF THE MEETING OF THE
CITY OF CAPE CORAL AUDIT COMMITTEE**

Thursday, March 22, 2018

CONFERENCE ROOM 2006

3:00 P.M.

The meeting was called to order at 3:00 p.m. by Chair Wolfson.

ROLL CALL: Austin, Hiatt, Stevens, and Wolfson were present. Nelson was excused.

ALSO PRESENT: Andrea Butola, City Auditor
Victoria Bateman, Financial Services Director, arrived at 3:01 p.m.

Approval of Minutes: February 21, 2018 meeting

The minutes from the Audit Committee meeting of February 21, 2018 were presented for approval.

Vice Chair Stevens moved, seconded by Committee Member Hiatt, to approve the minutes as presented. Voice Poll: All "ayes." Motion carried.

BUSINESS

Public Input

No speakers.

City Auditor Update Report

City Auditor Butola went over the 2/21/18 through 3/21/18 Update of City Auditor's Office Activities dated March 21, 2018 which was emailed to the Committee and was posted online. They included the following:

In Progress – External Auditors Clifton Larson Allen (CLA):

- External Financial Auditors (CAFR) FY 2017
- Pension Plan Audits (Police, Fire, and General) FY 2017

Discussion held regarding the following:

- The City Auditor will instruct the external auditors on how the audits could be done more smoothly.
- A management letter Director Bateman received from CLA
- The interviews held last time for the external auditors

City Auditor Butola inquired if a member of the Audit Committee could be present at the post mortem meeting for the Pension Plan Audits; this is to be researched. She also suggested that she attend the entrance.

Financial Services Director Bateman stated there should be a meeting held before that to discuss what services would be provided.

Discussion held regarding a material weakness reported in the General Pension Plan Audits.

City Auditor Butola stated she would reach out to the External Auditors on Friday on who is communicating with the pension boards.

Vice Chair Stevens requested that this item be added to the next meeting agenda.

City Auditor Butola stated she would include it in her report but have a separate update.

Chair Wolfson agreed to add the pension plan audits as an agenda item for the May meeting.

City Auditor Butola stated maybe we could have Marty and Andrew come to the May meeting for follow up.

In Progress – Internal Staff:

- Follow up – Timekeeping

Discussion held regarding a management review regarding timekeeping.

- City Clerk Records Division Audit
- Citywide Audit Risk Assessment FY 2019, 2020, 2021
- Public Works Storm Water Operations
- IT Risk Assessment

Other:

- Electronic Workpaper
- Tim DiSano was promoted to Assistant City Auditor.
- Vacant position for Senior Auditor was changed to an Assistant City Auditor.
- Review of select Irma payroll transactions
- Administrative Regulation 74
- Special project for Human Resources at the request of the City Manager
- Budget calculations are in progress.
- Attended City Council meetings and City Manager's Director Staff meeting
- Continue to review and update CAO policies and procedures, reports, and memo formats

- Continue ongoing monitoring of open audit recommendations on SharePoint Action Register
- Paid Leave, Holiday Time

FY 2018 YTD Follow Up Action Register:

- Attachment A as of March 21, 2018 - Implementation Status of Audit Report Recommendations

Chair Wolfson thanked City Auditor Butola for the information she sent for the Budget Review Committee. He asked her if she was going to send someone to the April 9th Budget Review Committee. City Auditor Butola stated Tim DiSano would be attending that meeting. She noted that presentation was also given to the Citizens Academy.

Discussion held regarding the difference between external and internal auditing.

Professional Development:

- Training Webinars and Seminars

Focus for the Next Period:

- Continue ongoing work on follow up for prior audits performed.
- Continue work on audits in progress and assign FY 2018 audits per audit plan.
- Continue work on the Quality Assurance Review (QAR) of audits issued since Peer Review to address verbal finding to conduct QA.
- Continue tracking of the follow up action items.
- Identification and hiring of new audit staff

Member Comments

Discussion held regarding the Citizens Academy.

Time and Place of Next Meeting

The meeting scheduled for Wednesday, April 18, 2018, at 3:00 p.m. was canceled.

The next meeting will be held on Wednesday, May 16, 2018, at 3:00 p.m. in Conference Room 2006.

Motion to Adjourn

There being no further business, the meeting adjourned at 3:50 p.m.

Submitted by,

Barbara Kerr
Recording Secretary

Item Number:	4.B.
Meeting Date:	5/16/2018
Item Type:	BUSINESS

AGENDA REQUEST FORM
CITY OF CAPE CORAL



TITLE:

Pension Plan Audits FY 2017 - Clifton Larson Allen - External Auditors

SUMMARY:

ADDITIONAL INFORMATION:

ATTACHMENTS:

Description	Type
▣ 9-30-17 Financial Statements (004)	Backup Material
▣ 9-30-17 Governance Communication (004)	Backup Material
▣ 9-30-17 Internal Control Communication (004)	Backup Material
▣ Final Issued Financial Statements Police 9-30-17	Backup Material
▣ Final Issued Governance Communication letter 9-30-17	Backup Material
▣ 9-30-17 Financial Statement Fire (002)	Backup Material
▣ 9-30-17 Governance Communication Fire (002)	Backup Material

**CITY OF CAPE CORAL MUNICIPAL GENERAL
EMPLOYEES' RETIREMENT PLAN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2017

**CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
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YEAR ENDED SEPTEMBER 30, 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
City of Cape Coral Municipal General Employees' Retirement Plan
Cape Coral, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Cape Coral Municipal General Employees' Retirement Plan (the Plan), which comprise the statement of fiduciary net position as of September 30, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

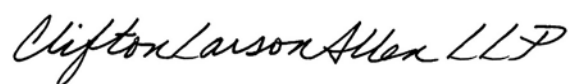
In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of September 30, 2017, and the changes in the fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the schedules of changes in the City's net pension liability and related ratios, contributions, and investment returns as listed in the table of contents 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.

Management has omitted the management 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 these basic financial statements is not affected by this missing information.



CliftonLarsonAllen LLP

Fort Myers, Florida
March 8, 2018

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017

ASSETS

CASH AND CASH EQUIVALENTS	\$ 5,299,966
RECEIVABLES	
Member Contributions	230
Employer Contributions	991,280
Due from Brokers	350,140
Investment Income	54,122
Total Receivables	<u>1,395,772</u>
INVESTMENTS	
Stocks	90,827,208
Unit Investment Trusts	1,219,086
Mutual and ETF Funds:	
Equity	27,228,078
Pooled/Common/Commingled Funds	107,120,914
Partnerships	29,413,524
Total Investments	<u>255,808,810</u>
Total Assets	262,504,548

LIABILITIES

ACCOUNTS PAYABLE	259,460
DUE TO BROKER FOR SECURITIES PURCHASED	<u>377,382</u>
Total Liabilities	<u>636,842</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 261,867,706</u></u>

See accompanying Notes to Financial Statements.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2017

ADDITIONS:

CONTRIBUTIONS

Employer	\$ 18,745,017
Plan Members	4,575,868
Member Buybacks	<u>116,662</u>
Total Contributions	23,437,547

INVESTMENT INCOME (EXPENSE)

Investment Income	2,539,314
Net Appreciation in Fair Value of Investments	26,145,758
Less Investment Expenses	<u>(1,052,098)</u>
Net Investment Income	<u>27,632,974</u>

Total Additions	51,070,521
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DEDUCTIONS:

BENEFITS AND REFUNDS	13,516,268
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ADMINISTRATIVE EXPENSES	<u>211,781</u>
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Total Deductions	<u>13,728,049</u>
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NET INCREASE IN NET POSITION	37,342,472
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NET POSITION RESTRICTED FOR PENSIONS:

Beginning of Year	<u>224,525,234</u>
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End of Year	<u><u>\$ 261,867,706</u></u>
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CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 DESCRIPTION OF PLAN

The following description of the City of Cape Coral Municipal General Employees' Retirement Plan (the Plan) provides only general information. Members should refer to the Plan document for a more complete description of the Plan's provision.

The Plan is a defined benefit pension plan covering all full-time general employees of the City of Cape Coral (the City).

At September 30, 2017, the Plan's membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	677
Inactive Plan Members Entitled to but not yet Receiving Benefits	134
Active Plan Members	<u>791</u>
Total	<u><u>1,602</u></u>

General

Participation in the Plan is required as a condition of employment. The Plan provides for pension and death benefits, and is subject to the provisions of the Florida Statutes and ordinance of the City of Cape Coral. Certain employees may opt out and participate in the City's defined contribution plan instead.

The Plan is governed by a five-member pension board. The board is comprised as follows: two members must be legal residents of the City and are appointed by City Council; two members must be members in the Plan and are elected by a majority of Plan members; the final is elected by a majority of the other four board members and subject to the approval of the City Council. Each board member serves a four-year period. The board has engaged the services of a third-party administrator to administer the Plan.

Pension Benefits

Monthly accrued benefit – The monthly accrued benefit is calculated as follows:

- a. For members with less than 20 years credited service – 2.50% of average final compensation, times years of credited services.
- b. For members with 20 or more years of credited service – 2.60% of average final compensation on the first 20 years of credited service, and 2.75% of average final compensation on each year of credited over beyond 20 years.

Credited service is defined as the period of service, as measured in years and partial years.

Average final compensation is defined as one-twelfth of the average salary (as defined by the Plan) of the best 5 years out of the prior 10 years of credited service prior to termination, retirement, or death.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Pension Benefits (Continued)

The Plan allows for a cost of living increase (COLA) of 3.00% per year. The increase is effective on the first October 1 after having received one full year of benefits. For members who did not elect the buy-up (an additional 1.60% contribution) and those hired after September 30, 2013, the increase is 2.50% and is effective on the October 1 after having received three full years of benefits. A COLA does not apply to a deferred vested retirement.

Payment options – the Plan offers a variety of payment options, including: normal form, life annuities, 10-year certain and life annuities, joint and survivor annuities, and social security options. The initial maximum benefit per year is the lesser of 80% of average compensation, or \$95,000 (or the accrued benefit as October 1, 2013). For members who have reached the normal retirement date as of October 1, 2013, or are within five years of the normal retirement date, and have at least 15 years of credited service as of October 1, 2013, the initial maximum benefit is 80% of average compensation. In these instances, the maximum benefit is exclusive of the COLA increase.

Normal retirement age – normal retirement age is defined as:

- a. If hired prior to October 1, 2013 – The earlier of attaining age 60, regardless of the number of years of credited service, or the completion of 25 years of credited service, regardless of age.
- b. If hired on or after October 1, 2013 – The earlier of attaining age 62 and the completion of years of 10 credited service, or the completion of 27 years of credited service, regardless of age.

Early retirement age – Members become eligible for early retirement upon reaching age 50, and having 10 years of credited service. The early retirement benefit is calculated and reduced actuarially based upon the normal retirement benefit.

Death – Upon the death of a vested member prior to normal retirement, the beneficiary can elect to receive a lump-sum payment of the actuarially determined benefit, or receive the member's monthly accrued benefit for 10 years certain and life thereafter, beginning at the member's normal retirement date. Upon the death of a nonvested member prior to retirement, the beneficiary will receive the member's accumulated contributions (including interest at 3.50%, compounded annually) in lieu of any other benefits payable under the Plan.

Forfeiture of benefits – If convicted of certain crimes, as identified in the Plan document, members forfeit all of their vested benefits, and their personal contributions are refunded to them.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Vesting

Members are fully vested in their contributions.

Members hired prior to October 1, 2013 become vested in all other contributions on a graduated scale as follows:

<u>Years of Services</u>	<u>Percentage Vested</u>
Less than 5 Years	0
5	50
6	60
7	70
8	80
9	90
10 or More	100

For members hired on or after October 1, 2013, there is no vesting until the member has accrued 10 years of credited service. Additionally, for members who have more than 5 years of credited service, but less than 10 as of October 1, 2013, those members' vesting is frozen at the percentage above, until such time the member has 10 years of credited service.

Deferred Retirement Option Plan (DROP)

Members who qualify for normal retirement may enroll in DROP. Members who enroll in DROP may remain active employees for up to five years. Upon enrollment, members' monthly benefits accrue until such time that they leave the DROP program. At the time of termination of employment or the end of the DROP period, the member will begin receiving the monthly retirement benefit, and within 120 months of termination of employment the member will receive the account balance in a lump sum or in another optional form. Additionally, upon enrollment, members are no longer eligible for disability or pre-retirement death benefits, nor can they receive any additional years of credited service. As of September 30, 2017, the Plan had 89 members enrolled in DROP, and the total amount of accrued benefits was \$15,849,799.

Contributions and Funding

Covered general employees are required to contribute 9.90% of their salary to the Plan. The City makes contributions based on actuarially determined minimum funding requirements.

Additionally, members hired prior to October 1, 2013, may make an irrevocable election to contribute an additional 1.60% in exchange for keeping the cost of living increase at 3.00%, and reversion of the monthly benefit to the normal form of benefit in the event the retiree is predeceased by the joint pensioner. The election must have been made by September 30, 2013.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Plan member 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.

Fair Value Measures

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

Basis of Presentation

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* 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 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, and death benefits required under the terms of the Plan document.

Valuation of Investments and Investment Income

Plan investments are recorded at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation (depreciation) in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation (depreciation) for the year is reflected in the statement of changes in fiduciary net position.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Policy

The Board has established an investment policy and is charged with the responsibility to review the policy and its addenda and amend it periodically in order to reflect any changes in philosophy or objectives. If at any time the Plan's investment manager(s) believes that the specific objectives within the policy cannot be met, or that the guidelines unnecessarily constrict performance, the Board shall be so notified in writing. The Board recognizes that the obligations of the Plan are long term and that investment policy should be made with a view toward performance and return over a number of years. In addition to complying with Florida Statutes 112 and 215, the general investment objectives include the preservation of invested capital, and achieving moderate long-term growth of Plan assets while minimizing the volatility of returns. To achieve these objectives, the Plan has hired various investment management firms and monitors their performance in three- to five-year cycles. The goal of the Plan is to achieve an average annual rate of return greater than the actuarial assumed rate (7.65% at September 30, 2017).

The Board has established the following target allocation for the Plan:

<u>Investment Type</u>	<u>Target Allocation</u>	<u>Permissible Range</u>
U.S. Equities	32 %	
Developed Non-U.S. Equities	10	
Emerging Market Equities	8	
Total	50 %	45% - 65%
Fixed Income	20 %	10% - 30%
Alternatives (Hedge FundGTAA)	8 %	3% - 13%
Real Estate	12 %	0% - 10%
Private Equity	5 %	0% - 10%
Farmland	5 %	0% - 10%

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 Cape Coral.

The Plan is included in the City's Comprehensive Annual Financial Report for the year ended September 30, 2017, which is a separately issued document. Anyone wishing further information about the City is referred to the City's Comprehensive Annual Financial Report. 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 general employees.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements of fiduciary net position.

NOTE 3 CASH AND INVESTMENTS

Cash and Investments

The Plan's custodian periodically holds uninvested cash in its respective capacity as trustee for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

The Plan's investments are segregated into separate accounts and are managed by investment management companies under the terms of separate agreements that are updated on a regular basis. Investment management and custodial fees are calculated quarterly as a percentage of the fair market value of the Plan's managed assets.

Rate of Return

For the year ended September 30, 2017, the annual money weighted rate of return on Plan investments, net of Plan investment expense, was 12.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Cash Equivalents

Cash equivalents represent a money market portfolio whose underlying securities are comprised of U.S. government securities and repurchase agreements, and these money market funds are reported at cost. At September 30, 2017, the Plan had \$5,299,966 invested in Goldman Sachs Financial Square Treasury Obligations and Goldman Sachs Financial Square Government Fund, each with an "AAAm" rating.

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. The Plan's investment policy states the duration of the fixed income portfolio shall not exceed 150% of the duration of the market index. The market index is defined as the Bloomberg Barclays Aggregate Bond Index. For the year ended September 30, 2017, the effective duration of the Plan's fixed income portfolios were 5.66 and 4.99 which represented 97% and 85%, respectively, of the duration of the market index.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Plan would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Florida Statutes and the Plan's investment policy state securities should be held with a third-party custodian. As of September 30, 2017, 100% of the Plan's investments are held by third-party custodians.

Credit and Concentration Risks

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations, and concentration risk is the risk of loss attributed to the magnitude of an investment in a single issuer or investment class.

To help mitigate these risks, the Plan's investment policy sets guidelines and other allocation/restrictions on investments. Some of these guidelines include:

- a. The total investment in equity securities cannot exceed 70% of the fiduciary net position.
- b. The average credit quality of the bond portfolio shall be "BBB" or higher, and the duration of the fixed income portfolio shall not exceed 150% of the duration of the market index, as defined by Barclays Aggregate Bond Index.
- c. There is no imposed limit on investments in fixed income securities issued directly by the United States government or any agency or instrumentality, thereof.
- d. Investment in real estate shall not exceed 15% of the fiduciary net position.
- e. Investment in alternative investments shall not exceed 10% of the fiduciary net position.

Consult the Plan's investment policy for a complete listing of guidelines and restrictions.

As of September 30, 2017, the portfolio percentage by investment type (as classified by the Plan's custodian) is as follows:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Cash and Cash Equivalents:	\$ 5,299,966	2.02 %
Investments:		
Stock	90,827,208	34.79
Unit Investment Trusts	1,219,086	0.47
Mutual Funds:		
Equity	27,228,078	10.43
Pooled/Common/Commingled Funds	107,120,914	41.03
Partnerships	29,413,524	11.26
Total	<u>\$ 261,108,776</u>	100.00

The Plan did not hold investments in any one issuer that represents 5% or more of the Plan's total investments.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit and Concentration Risks (Continued)

The following lists investments that represent 5% or more of the Plan's fiduciary net position as of September 30, 2017.

Investment

Wells Fargo Emerging Markets Equity Fund	\$ 20,426,175
Fidelity Core Plus Commingled Pool	41,689,606
Total	<u>\$ 62,115,781</u>

Fair Value Measurement

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan had the following recurring fair value measurements comprised of investments as of September 30, 2017:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Investments:				
Stocks	\$ 90,827,208	\$ 90,827,208	\$ -	\$ -
Unit Investment Trusts	1,219,086	1,219,086	-	-
Mutual Funds:				
Equity	27,228,078	27,228,078	-	-
Total	119,274,372	<u>\$ 119,274,372</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Pooled/Common/Commingled Funds:	107,120,914			
Partnerships	29,413,524			
Total Investments Measured at the NAV	136,534,438			
Total Investments Measured at Fair Value	255,808,810			
Cash Equivalents Measured at Amortized Cost				
Money Market Funds	5,299,966			
Total Cash and Cash Equivalents and Investments	\$ 261,108,776			

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement (Continued)

Other information for investments measured at the NAV or its equivalent follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled/Common/Commingled Funds:				
Equity	\$ 20,426,175	\$ -	Daily	3 days
Fixed Income	51,940,023	-	Daily	5 days
Private Equity	8,396,403	3,186,772	N/A	N/A
Real Estate	26,358,313	902,700	Quarterly	45 days
Partnerships				
Alternative (Hedge Fund/GTAA)	19,335,299	-	Qtrly/Mthly	90/30 days
Real Estate	3,939,725	2,067,657	N/A	N/A
Farmland	5,129,524	-	N/A	N/A
Private Equity	1,008,976	17,017,500	N/A	N/A
Total Investments Measured at the NAV	<u>\$ 136,534,438</u>			

Pooled/Common/Commingled Funds

Equity: This is an international emerging markets investment fund benchmarked to the MSCI Emerging Markets Index. The portfolio typically consists of 90 to 120 stocks with position sizes that fall into one of three categories: large (1.5% to 5.0% of the portfolio), medium (1.0% to 1.5%), or small (0.5%).

Fixed Income: This fund comprised of a bond portfolio with a strategy to outperform the Bloomberg Barclays Aggregate Bond Index by investing in investment-grade and "Plus" sectors such as high yield, emerging market debt, global bond, bank debt, and high yield CMBS.

Private Equity: The investment objective of the Fund is to generate capital returns through investing in limited partnerships or other pooled and direct investment vehicles which, in turn, make investments in management buy-in, management buy-out and leveraged buy-out transactions through the Pooled Subsidiary and the Direct Subsidiary.

Real Estate: There are four different funds comprising this investment:

- Approximately \$11.2 million is invested in a fund focusing on higher quality real estate projects which do not need substantial improvements and which tend to have relatively stable occupancies. As a result, the portfolio tends to focus on properties of high physical quality in prime locations and competitive positions within their respective markets.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement (Continued)

- Approximately \$11.0 million is invested in a fund focusing on acquiring Class A properties in first-tier markets that require some degree of rehabilitation, releasing, repositioning, or development. The majority of deals are expected to come from joint venture relationships and, typically, investments are in the \$10 to \$60 million range with a holding period of 3 to 5 years.
- Approximately \$2.1 million is invested in a fund that targets investments that present the potential for capital appreciation while supplementing returns with current cash flow. The fund will focus on core plus investments including assets that have suffered from inadequate capitalization, mismanagement, and poor leasing. Other potential investments include buildings needing renovation or repositioning and the fund may also build and redevelop residential or commercial properties.
- Approximately \$2.0 million is invested in a value-add commercial real estate fund, that seeks to acquire mainstream property types — primarily office, flex, hospitality, and multi-family. The focus is on the southern United States, because the fund managers believe that population growth is rapid, supply is limited, and prices are low.

Partnerships

Alternative: The Funds seek capital appreciation by allocating their assets among a select group of private investment funds (commonly known as hedge funds) (Portfolio Funds) that utilize a variety of alternative investment strategies that seek to produce an attractive absolute return on invested capital, largely independent of the various benchmarks associated with traditional asset classes.

GTAA: The Fund's investment objective is an unconstrained, non-benchmark oriented investment approach. A benchmark consisting of 65% MSCI All Country World Index/35% Barclays Capital Aggregate Index is used as the primary reference benchmark.

Real Estate: Includes two holdings: One with an opportunistic real estate strategy that focuses on acquiring discounted home building, land and residential assets and develop for either rental or purchase, and the second which is a value added real estate partnership that focuses on making investments in growth markets such as Seattle, Portland, San Francisco, Los Angeles, Chicago, and Boston that have a disproportionate share of the growth of the millennial population.

Farmland: The Fund is an open-ended investment fund whose objective is to generate an attractive total return through the acquisition and management of farmland in the midwestern United States.

Private Equity: To build a globally diversified portfolio of small to mid-sized secondary transactions.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 NET PENSION LIABILITY

The components of the net pension liability of the City as it pertains to this Plan at September 30, 2017 were as follows:

Total Pension Liability	\$ 331,935,748
Plan Fiduciary Net Position	<u>(261,867,706)</u>
City's Net Pension Liability	<u><u>\$ 70,068,042</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>78.89%</u></u>
---	----------------------

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 2.00%
- Salary Increases Service Based
- Investment Rate of Return 7.65%
- Mortality rates were based on the RP-2000 Fully Generational Mortality Table with a Blue Collar adjustment for males. Disabled lives are set forward two years for females and setback four years for males.
- The actuarial assumptions used in the October 1, 2016 valuation were based on the results of an actuarial experience study used to review the other significant assumptions; the experience study was dated September 27, 2017.
- 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. There ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equities	6.44%
Developed Non-U.S. Equities	7.40%
Emerging Market Equities	9.42%
U.S. Core Fixed Income	2.02%
Hedge Fund of Funds	3.75%
Real Estate	5.00%
Private Equity	10.47%
Farmland	6.63%

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 NET PENSION LIABILITY (CONTINUED)

- The discount rate used to measure the total pension liability was 7.65%. 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.
- Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, as it pertains to this Plan, calculated using the discount rate of 7.65%, 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 and 1 percentage point higher than the current rate:

	1% Decrease (6.65%)	Current Rate (7.65%)	1% Increase (8.65%)
City's Net Pension Liability	<u>\$ 110,292,611</u>	<u>\$ 70,068,042</u>	<u>\$ 36,797,629</u>

NOTE 5 ADMINISTRATIVE AND INVESTMENT EXPENSES

Administrative and investment expenses for the year ended September 30, 2017 were as follows:

	Investment Expenses	Administrative Expenses
Actuary Fees	\$ -	\$ 87,559
Fiduciary Liability Insurance	-	7,229
Investment Management and Consulting	927,780	-
Legal and Audit Fees	-	30,469
Custodian	78,568	-
Administrative and Other Expenses	-	16,296
Performance Monitoring Fees	45,750	-
Third Party Administrative Fees	-	70,228
Total Investment and Administrative Expenses	<u>\$ 1,052,098</u>	<u>\$ 211,781</u>

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION
LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

<u>September 30,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Pension Liability					
Service Cost	\$ 7,581,291	\$ 6,787,332	\$ 6,345,174	\$ 6,326,371	\$ 5,871,342
Interest	23,613,678	21,003,661	19,926,291	18,821,859	17,724,278
Difference Between Expected and Actual Experience	4,417,837	3,893,760	(867,289)	-	-
Contributions - Buy Back	116,662	73,024	248,187		
Changes of Assumptions	5,853,087	14,374,009	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(13,516,268)</u>	<u>(12,979,936)</u>	<u>(11,406,026)</u>	<u>(10,426,554)</u>	<u>(9,350,092)</u>
Net Change in Total Pension Liability	28,066,287	33,151,850	14,246,337	14,721,676	14,245,528
Total Pension Liability - Beginning of Year	<u>303,869,461</u>	<u>270,717,611</u>	<u>256,471,274</u>	<u>241,749,598</u>	<u>227,504,070</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 331,935,748</u></u>	<u><u>\$ 303,869,461</u></u>	<u><u>\$ 270,717,611</u></u>	<u><u>\$ 256,471,274</u></u>	<u><u>\$ 241,749,598</u></u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 18,745,018	\$ 16,703,284	\$ 15,896,933	\$ 14,847,599	\$ 11,946,344
Contributions - Employee	4,575,819	4,110,347	3,900,545	3,740,529	3,377,905
Contributions - Buy Back	116,662	73,024	248,187	-	-
Net Investment Income (Loss)	27,633,022	17,442,740	(2,670,840)	17,248,123	18,720,913
Benefit Payments, Including Refunds of Employee Contributions	<u>(13,516,268)</u>	<u>(12,979,936)</u>	<u>(11,406,026)</u>	<u>(10,426,554)</u>	<u>(9,350,092)</u>
Administrative Expenses	<u>(211,781)</u>	<u>(178,584)</u>	<u>(219,890)</u>	<u>(209,604)</u>	<u>(145,987)</u>
Net Change in Plan Fiduciary Net Position	37,342,472	25,170,875	5,748,909	25,200,093	24,549,083
Plan Fiduciary Net Position - Beginning of Year	<u>224,525,234</u>	<u>199,354,359</u>	<u>193,605,450</u>	<u>168,405,357</u>	<u>143,856,274</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 261,867,706</u></u>	<u><u>\$ 224,525,234</u></u>	<u><u>\$ 199,354,359</u></u>	<u><u>\$ 193,605,450</u></u>	<u><u>\$ 168,405,357</u></u>
City's Net Pension Liability - End of Year (a) - (b)	<u><u>\$ 70,068,042</u></u>	<u><u>\$ 79,344,227</u></u>	<u><u>\$ 71,363,252</u></u>	<u><u>\$ 62,865,824</u></u>	<u><u>\$ 73,344,241</u></u>

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION
LIABILITY AND RELATED RATIOS (CONTINUED)
LAST TEN FISCAL YEARS

<u>September 30.</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.89%	73.89%	73.64%	75.49%	69.66%
Covered Payroll	\$ 43,023,377	\$ 38,839,907	\$ 43,059,029	\$ 36,210,403	\$ 33,074,042
City's Net Pension Liability as a Percentage of Covered Payroll	162.86%	204.29%	165.73%	173.61%	221.76%

Notes to Schedule

Information is required to be presented for 10 ten years. However, until a full 10-year trend is compiled, the Plan will present information for only those years for which information is available.

Changes of assumptions:

For the measurement date September 30, 2017, as the result of an Experience Study dated September 27, 2017, the Board made changes to the following assumptions:

- Salary Increases
- Mortality Rates
- Disability Rates
- Normal and Early Retirement Rates
- Withdrawal Rates
- Investment Return

For the measurement date September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System. In addition, the inflation assumption rate was lowered from 3.00% to 2.00%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2017
LAST TEN FISCAL YEARS

<u>September 30,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$ 18,745,018	\$ 16,709,229	\$ 15,890,988	\$ 14,847,599	\$ 11,946,344
Contributions in Relation to the Actuarially Determined Contributions	<u>18,745,018</u>	<u>16,703,284</u>	<u>15,896,933</u>	<u>14,847,599</u>	<u>11,946,344</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 5,945</u>	<u>\$ (5,945)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 43,023,377	\$ 38,839,907	\$ 43,059,029	\$ 36,210,403	\$ 33,074,042
Contributions as a Percentage of Covered Payroll	43.57%	43.01%	36.92%	41.00%	36.12%

Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for only those years for which information is available.

**CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS**

The table below summarizes the annual money-weighted rate of return, net of investment expenses.

<u>Year Ended September 30,</u>	<u>Rate of Return</u>
2017	12.13%
2016	8.66%
2015	-1.36%
2014	10.04%
2013	12.71%

Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for only those years for which information is available.

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

NOTE 1 ACTUARIAL ASSUMPTIONS

The following actuarial method and assumptions were used to determine contribution rates for the year September 30, 2017:

Funding Method	Entry Age Normal Actuarial Cost Method																	
Amortization Method	Level Percentage of Pay, Closed																	
Remaining Amortization Period	26 Years (As of October 1, 2015)																	
Asset Valuation Methodology	The actuarial value of assets is brought forward using the historical four-year geometric average of Market Value returns. It is possible that over time this technique will produce an insignificant bias above or below Market Value.																	
Inflation	2.00% Per Year																	
Salary Increases	<table><tr><td>Age</td><td>Credited Service</td><td>Assumption</td></tr><tr><td>All</td><td>Less than 20 Years</td><td>7.00%</td></tr><tr><td><50</td><td>20 or More Years</td><td>5.80%</td></tr><tr><td>50-59</td><td>20 or More Years</td><td>5.30%</td></tr><tr><td>>60</td><td>20 or More Years</td><td>5.00%</td></tr></table>			Age	Credited Service	Assumption	All	Less than 20 Years	7.00%	<50	20 or More Years	5.80%	50-59	20 or More Years	5.30%	>60	20 or More Years	5.00%
Age	Credited Service	Assumption																
All	Less than 20 Years	7.00%																
<50	20 or More Years	5.80%																
50-59	20 or More Years	5.30%																
>60	20 or More Years	5.00%																
Interest Rate	7.75% Per Year, Compounded Annually, Net of Investment Related Expenses.																	
Payroll Growth	2.08% Per Year based on the July 25, 2011 experience study.																	
Early Retirement	Commencing at eligibility for early retirement members are assumed to retire with an immediate benefit at the rate of 2.00% per year.																	

CITY OF CAPE CORAL MUNICIPAL GENERAL EMPLOYEES' RETIREMENT PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

NOTE 1 ACTUARIAL ASSUMPTIONS (CONTINUED)

Retirement Age	Number of Years after First Eligibility for Normal Retirement	Probability of Retirement
	0	10.00%
	1	10.00%
	2	10.00%
	3	10.00%
	4	10.00%
	5	100.00%

Members with 25 or more years of Credited Service are assumed to retire immediately.

Cost-of-Living Adjustment 3.00% per year, beginning with the first October 1st following one year of retirement

Termination Rates See table below under other information.

Disability Rates See table below under other information.

Mortality RP-2000 Combined Healthy (sex distinct), projected to valuation date using scale BB. Disable lives are set forward two years for females and setback four years for males.

Other Information Termination and Disability Rate Table

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	13.00%	0.05%
30	10.00%	0.06%
40	6.00%	0.12%
50	5.70%	0.43%
60	0.00%	1.61%

Board of Trustees
City of Cape Coral Municipal General Employees' Retirement Plan
Cape Coral, Florida

We have audited the financial statements of City of Cape Coral Municipal General Employees' Retirement Plan (the Plan) as of and for the year ended September 30, 2017, and have issued our report thereon dated March 8, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Cape Coral Municipal General Employees' Retirement Plan are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- The actuarial valuation was based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 7.65% per annum compounded annually. The total pension liability, net pension liability, and certain sensitivity information shown in the financial statements are based on an actuarial valuation performed as of October 1, 2016. The total pension liability was rolled-forward from the valuation date to the Plan's fiscal year ending September 30, 2017, using generally accepted actuarial principles. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.

- Management's estimate of the valuation of investments described in Note 3 to the financial statements. We evaluated the key factors and assumptions used to develop the estimate fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

- The disclosure of the Net Pension Liability in Note 4 to the financial statements which is based on the assumptions used in the actuarial valuation mentioned above. The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Corrected misstatements

The attached schedule summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated March 8, 2018.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Board of Trustees and management of City of Cape Coral Municipal General Employees' Retirement Plan and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
March 8, 2018

SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT
City of Cape Coral Municipal General Employees' Retirement Plan
Trust Fund
Year Ended September 30, 2017

UNCORRECTED ADJUSTMENTS

Effect of misstatements on:

Description	Assets	Liabilities	Net Position	Net Increase in Net Position
Net fair value difference between custodian valuation and amounts confirmed by investment managers.	\$ 107,849			\$ (107,849)
Net current year misstatements (Iron Curtain Method)	107,849	-	-	(107,849)
Net prior year misstatements		-		(25,667)
Combined current and prior year misstatements (Rollover Method)	\$ 107,849	\$ -	\$ -	\$ (133,516)
Financial statement totals	262,504,548	(636,842)	(224,525,234)	(37,342,472)
Current year misstatement as a % of financial statement totals (Iron Curtain Method)	0.04%			0.29%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)	0.04%			0.36%

City of Cape Coral Municipal General Employees' Retirement Plan
Adjusting Journal Entries
Year Ended September 30, 2017

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To adjust to fair value per investment manager confirmation.			
1444-01082-000	Fiam Tactical Bond	250,417.00	
1446-01082-000	Fiam Core Plus Pool	841,590.00	
4610-01082-000	Net Increase in FV investment		1,092,007.00
Total		1,092,007.00	1,092,007.00
Adjusting Journal Entries JE # 2			
To adjust to fair value per investment manager confirmation.			
1400-01082-000	Cash	156.00	
1435-01082-000	WF Capital management	237,270.00	
4600-01082-000	Interest And Dividend Income		156.00
4610-01082-000	Net Increase in FV investment		237,270.00
Total		237,426.00	237,426.00
Adjusting Journal Entries JE # 3			
To adjust to fair value per investment manager confirmation.			
1433-01082-000	WTC CIF Opportunistic investment	109,908.00	
4610-01082-000	Net Increase in FV investment		109,908.00
Total		109,908.00	109,908.00
Adjusting Journal Entries JE # 4			
To adjust to fair value per investment manager confirmation.			
1432-01082-000	JP Morgan Global Private	725,395.00	
4610-01082-000	Net Increase in FV investment		725,395.00
Total		725,395.00	725,395.00
Adjusting Journal Entries JE # 5			
To adjust to fair value per investment manager confirmation.			
1442-01082-000	Gerding Edlen Green Cities	377,218.00	
4610-01082-000	Net Increase in FV investment		377,218.00
Total		377,218.00	377,218.00
Adjusting Journal Entries JE # 6			
To adjust to fair value per investment manager confirmation.			
1431-01082-000	WCP Special Core	280,607.00	
4610-01082-000	Net Increase in FV investment		280,607.00
Total		280,607.00	280,607.00
Adjusting Journal Entries JE # 7			
To adjust to fair value per investment manager confirmation.			
4610-01082-000	Net Increase in FV investment	142,613.00	
1440-01082-000	Real Estate		142,613.00
Total		142,613.00	142,613.00
Adjusting Journal Entries JE # 8			
To record contributions receivable based on actuarial valuation.			
2110-01082-000	Additional Contributions receivable	991,280.00	
CLA 001-69	Member Contributions Receivable	230.00	
4000-01082-000	Employer Contributions		991,280.00
4110-01082-000	Employee Contributions		230.00
Total		991,510.00	991,510.00

Board of Trustees and Management
City of Cape Coral Municipal General Employees' Retirement Plan
Cape Coral, Florida

In planning and performing our audit of the financial statements of City of Cape Coral Municipal General Employees' Retirement Plan (the Plan) as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Material weakness

We consider the following deficiencies in the entity's internal control to be material weakness.

Alternative Investments

During our audits, we noted the City of Cape Coral Municipal General Employees' Retirement Plan is invested in "alternative" investments. For purposes of this discussion, "alternative" investments are defined as any investment for which a readily determinable fair value does not exist. Alternative investments include, but are not limited to, hedge funds, private equity funds, real estate funds, collective trust funds, pooled separate accounts, and 103-12 investment entities. They may be structured in a variety of ways such as limited partnerships, limited liability corporations, or trusts, to name a few.

Specifically for the alternative investments requiring adjustment, it appears that fair values reported by Salem Trust in the annual statement lag by a calendar quarter which resulted in an incorrect fair value being reported at September 30, 2017, and a material adjustment.

We recommend that the Plan's third-party administrator work with the Plan's investment advisor to obtain the fair value of the alternative investments as of September 30th each year. Differences identified should be considered prior to the completion of the Plan's annual accounting.

* * *

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Fort Myers, Florida
March 8, 2018

**CITY OF CAPE CORAL MUNICIPAL POLICE
OFFICERS' RETIREMENT PLAN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2017

**CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
City of Cape Coral Municipal Police Officers' Retirement Plan
Cape Coral, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the schedules of changes in the City's net pension liability and related ratios, contributions, and investment returns, as listed in the table of contents, 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.

Management has omitted the management 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 these basic financial statements is not affected by this missing information.



CliftonLarsonAllen LLP

Fort Myers, Florida
March 14, 2018

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017

ASSETS

CASH AND CASH EQUIVALENTS	\$ 3,783,321
RECEIVABLES	
Due From Broker for Securities Sold	423,789
Investment Income	152,057
Total Receivables	<u>575,846</u>
INVESTMENTS	
Certificates of Deposit	172,025
U.S. Government Obligations and Federal Agency Securities	12,550,161
Mortgage Backed Securities	4,049,856
Collateralized Mortgage Obligations	2,147,623
Corporate Bonds	12,109,274
Stocks	57,564,386
Municipal Obligations	119,701
Mutual Funds:	
Balanced	14,101,530
Equity	22,900,463
Pooled/Common/Commingled Funds:	
Equity	15,083,260
Real Estate	16,984,016
Total Investments	<u>157,782,295</u>
Total Assets	162,141,462

LIABILITIES

ACCOUNTS PAYABLE	175,834
DUE TO BROKER FOR SECURITIES PURCHASED	595,988
PREPAID CONTRIBUTIONS	<u>8,071</u>
Total Liabilities	<u>779,893</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 161,361,569</u></u>

See accompanying Notes to Financial Statements.

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2017

ADDITIONS

CONTRIBUTIONS

Employer	\$ 7,111,509
Plan Members	1,854,246
State Contributions	<u>1,323,470</u>
Total Contributions	10,289,225

INVESTMENT INCOME (EXPENSE)

Investment Income	3,603,524
Net Appreciation (Depreciation) in Fair Value of Investments	14,734,150
Less Investment Expenses	<u>(580,940)</u>
Net Investment Income	<u>17,756,734</u>

Total Additions for Net Position	28,045,959
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DEDUCTIONS

BENEFITS AND REFUNDS	6,778,799
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ADMINISTRATIVE EXPENSES	<u>117,560</u>
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Total Deductions from Net Position	<u>6,896,359</u>
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NET INCREASE IN NET POSITION	21,149,600
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NET POSITION RESTRICTED FOR PENSIONS:

Beginning of Year	<u>140,211,969</u>
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End of Year	<u><u>\$ 161,361,569</u></u>
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See accompanying Notes to Financial Statements.

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 DESCRIPTION OF PLAN

The following description of the City of Cape Coral Municipal Police Officers' Retirement Plan (the Plan) provides only general information. Members should refer to the Plan agreement for a more complete description of the Plan's provision.

At September 30, 2017, the Plan's membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	133
Inactive Plan Members Entitled to but not yet Receiving Benefits	28
Active Plan Members	213
Total	<u>374</u>

General

The Plan is a defined benefit pension plan covering all full time police officers of the City. Participation in the Plan is required as a condition of employment. The Plan provides for pension and death benefits, and is subject to the provisions of the Florida Statutes and ordinances of the City of Cape Coral.

The Plan, in accordance with the above statute, is governed by a five-member pension board (the Board). The Board is comprised as follows: two members must be legal residents of the City, and are appointed by City Council; two members must be members in the Plan, and are elected by a majority of Plan members; the final is elected by a majority of the other four board members. Each board member serves a four-year period. The Board has engaged the services of a third-party administrator to administer the Plan.

Pension Benefits

Monthly Accrued Benefit – The monthly accrued benefit equals 3.25% of average final compensation, times the years of credited service.

Credited service is defined as the period of service, as measured in years and partial years.

Average final compensation is defined as one-sixtieth of the average salary (as defined by the Plan) for the five 12-month periods which produce the greatest average.

The Plan allows for a cost of living increase of 3.00% per year. The increase is effective on the first October 1 after having received one full year of benefits. For police officers hired after June 16, 2014, the increase is effective on the October 1 after having received three full years of benefits.

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Pension Benefits (Continued)

Payment Options – the Plan offers a variety of payment options including, partial lump-sum payouts, 10-year life certain and life annuity, joint and survivor annuities, and social security options. For members who have not reached normal retirement age by October 1, 2013, the maximum benefit per year shall not exceed \$95,000, exclusive of any cost of living increases.

Normal Retirement Age – normal retirement age is defined as:

- a. If hired prior to October 1, 2013 - The earlier of attaining age 50, regardless of the number of years of credited service, or the completion of 25 years of credited service, regardless of age.
- b. If hired on or after October 1, 2013 - The earlier of attaining age 52 and the completion of years of 10 credited service, or the completion of 27 years of credited service, regardless of age.

Early Retirement Age – members become eligible for early retirement upon reaching age 40, and having 10 years of credited service. The early retirement benefit is calculated and reduced actuarially, based upon the normal retirement benefit.

Death and Disability – Upon the death of a vested member prior to normal retirement, the beneficiary will receive the member's monthly accrued benefit for 10 years certain and life thereafter, beginning at the member's normal retirement date. Upon the death of a nonvested member prior to retirement, the beneficiary will receive the member's accumulated contributions in lieu of any other benefits payable under the Plan.

Active members who become totally and permanently disabled in the line of duty shall receive a normal retirement benefit with the maximum benefit equal to 66.67% of average final compensation. Any member who becomes totally and permanently disabled while not in the line of duty, shall receive a normal retirement benefit, based upon years of credited service as follows:

- a. Greater than 10 years – 66.67% of average final compensation.
- b. Between 5 and 10 years – 50% of average final compensation.
- c. Less than 5 years – 25% of average final compensation.

Forfeiture of Benefits – if convicted of certain crimes, as identified in the Plan Document, members forfeit all of their vested benefits, and their personal contributions are refunded to them. Additionally, the Plan identifies certain instances in which members would not qualify for disability benefits, due to the nature of disability (for example, illegal drug use).

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Vesting

Members hired prior to October 1, 2013 become vested in all other contributions on a graduated scale as follows:

<u>Years of Services</u>	<u>Percentage Vested</u>
Less than 5 Years	0%
5	50
6	60
7	70
8	80
9	90
10 or More	100

Members hired on or after October 1, 2013, become vested in all other contributions after 10 years of credited service. Additionally, for members who have 5 or more years of credited service, but less than 10 as of October 1, 2013, those members' vesting is frozen at the percentage above until such time the member has 10 years of credited service.

Deferred Retirement Option Plan (DROP)

Members who qualify for normal retirement may enroll in DROP. Members who enroll in DROP may remain active employees for up to five years. Upon enrollment, members' monthly benefits accrue until such time that they leave the DROP program. At the time of termination of employment at the end of the DROP period, the member will be receiving the monthly benefit, and within 120 months of termination, will receive the account balance in a lump sum or in another optional form. Additionally, upon enrollment, members are no longer eligible for disability or pre-retirement death benefits, nor can they receive any additional years of credited service. As of September 30, 2017, the Plan had 17 members enrolled in DROP, and the total amount of accrued benefits was \$8,499,466.

Contributions and Funding

Covered police officers are required to contribute 10.00% of their salary to the Plan. The City makes contributions based on actuarially determined minimum funding requirements. Additionally, the state of Florida contributes insurance premium taxes which are used to help reduce the City's portion of its minimum funding requirement.

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Plan member 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.

Fair Value Measurements

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

Basis of Presentation

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, 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 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 document.

Valuation of Investments and Investment Income

Plan investments are recorded at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation (depreciation) in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation (depreciation) for the year is reflected in the statement of changes in plan net position.

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Policy

The Board has established an investment policy and is charged with the responsibility to review the policy and its addenda and amend it periodically in order to reflect any changes in philosophy or objectives. If at any time the Plan's investment manager(s) believes that the specific objectives within the policy cannot be met, or that the guidelines unnecessarily constrict performance, the Board shall be so notified in writing. The Board recognizes that the obligations of the Plan are long-term and that investment policy should be made with a view toward performance and return over a number of years. In addition to complying with Florida Statutes 112, 185, and 215, the general investment objectives include the preservation of invested capital, and achieving moderate long-term growth of plan assets while minimizing the volatility of returns. To achieve these objectives the Plan has hired various investment management firms and monitors their performance in three- to five-year cycles. The goal of the Plan is to achieve an average annual rate of return greater than the actuarial assumed rate (7.75% at September 30, 2017).

The board has established the following target allocation for the Plan:

<u>Investment Type</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>Representative Benchmark</u>
Large Cap Equity	35%	25% - 45%	Russell 1000
International Equity	15%	10% - 25%	EAFE
Small/Mid Cap Equity	10%	5% - 15%	Russell 2500
Direct Real Estate	10%	3% - 15%	NCREIF
Absolute Return	10%	5% - 15%	CPI+4
Fixed Income	20%	15%-25%	Barclays Agg
Cash Equivalents	0%	0% - 10%	Treasury Bills

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 Cape Coral.

The Plan is included in the City's Comprehensive Annual Financial Report for the year ended September 30, 2017 which is a separately issued document. Anyone wishing further information about the City is referred to the City's Comprehensive Annual Financial Report. 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.

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 statements of fiduciary net position.

NOTE 3 CASH AND INVESTMENTS

Cash and Investments

The Plan's custodian periodically holds uninvested cash in its respective capacity as trustee for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

The Plan's investments are segregated into separate accounts and are managed by an investment management company under the terms of an agreement that is updated on an annual basis. Investment management and custodial fees are calculated quarterly as a percentage of the fair value of the Plan's managed assets.

Rate of Return

For the year ended September 30, 2017, the annual money weighted rate of return on plan investments, net of plan investment expense, was 12.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Cash Equivalents

Cash equivalents represent a money market portfolio whose underlying securities are comprised of U.S. government securities and repurchase agreements, and these money market funds are reported at cost. At September 30, 2017, the Plan had \$2,366,884 and \$1,379,537 invested in Goldman Sachs Financial Square Treasury Obligations Fund and Goldman Sachs Financial Square Governmental Fund, respectively, each with an "AAAm" rating. The remaining balance of cash and cash equivalents consisted of short term uninvested cash totaling \$36,900 as of September 30, 2017.

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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. The Plan's investment policy states that the duration of the fixed income portfolio shall not exceed 135% of the duration of the market index. The market index is defined as the Barclays Aggregate Bond Index. For the year ended September 30, 2017, the duration of the Plan's fixed income portfolio was 6.48, which represented 105% of the duration of the market index.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Plan would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Florida Statutes and the Plan's investment policy state securities should be held with a third-party custodian. As of September 30, 2017, 100% of the Plan's investments are held by a third-party custodian.

Credit and Concentration Risks

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations, and concentration risk is the risk of loss attributed to the magnitude of an investment in a single issuer or investment class.

To help mitigate these risks, the Plan's investment policy sets guidelines and other allocation/restrictions on investments. Some of these guidelines include:

- a. The total investment in equity securities cannot exceed 70% of the fiduciary net position.
- b. The average credit quality of the bond portfolio shall be "A" or higher, and corporate bonds rated below "BBB" shall not exceed 15% of fiduciary net position.
- c. There is no imposed limit on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality, thereof.
- d. Investment in real estate shall not exceed 15% of the fiduciary net position.

Consult the Plan's investment policy for a complete listing of guidelines and restrictions.

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit and Concentration Risks (Continued)

As of September 30, 2017, the portfolio percentage and weighted average maturity by investment type is as follows:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturity (Years)</u>
Cash and Cash Equivalents:			
Money Market Funds and Short Term Cash	\$ 3,783,321	2.34%	N/A
Investments:			
Certificates of Deposit	172,025	0.11%	0.48
U.S. Government Obligations and Federal Agency Securities	12,550,161	7.77%	10.31
Mortgage Backed Securities (MBS)	4,049,856	2.51%	
Collateralized Mortgage Obligations (CMO)	2,147,623	1.33%	
Corporate Bonds	12,109,274	7.49%	
Subtotal MBS, CMO, and Corporate Bonds	<u>18,306,753</u>		10.07
Stocks	57,564,386	35.63%	N/A
Municipal Obligations	119,701	0.07%	22.68
Mutual Funds:			
Balanced	14,101,530	8.73%	N/A
Equity	22,900,463	14.17%	N/A
Pooled/Common/Commingled Funds:			
Equity	15,083,260	9.34%	N/A
Real Estate	16,984,016	10.51%	N/A
Total	<u>\$ 161,565,616</u>	<u>100.00%</u>	

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit and Concentration Risks (Continued)

As of September 30, 2017, the Plan had the following credit exposure as a percentage of fixed income investments:

Credit Rating	Amount	Percentage of Portfolio
AAA	\$ 672,177	3.61%
AA+	3,804,249	20.45%
AA	809,061	4.35%
AA-	1,261,599	6.78%
A+	1,462,791	7.87%
A	2,148,565	11.55%
A-	1,662,297	8.94%
A-1+	20,000	0.11%
BBB+	2,182,328	11.73%
BBB	249,247	1.34%
BBB-	79,081	0.43%
Not Rated	4,247,084	22.83%
Total	<u>\$ 18,598,479</u>	<u>99.99%</u>

The following lists investments that represent 5% or more of the Plan's fiduciary net position as of September 30, 2017:

Investment

American Core Realty Fund, LLC	\$ 16,984,016
Rhumblin Russell 1000 Pooled Index Fund	<u>15,083,260</u>
Total	<u>\$ 32,067,276</u>

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan had the following recurring fair value measurements comprised of investments as of September 30, 2017:

	Fair Value	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Certificates of Deposit	\$ 172,025	\$ -	\$ 172,025	\$ -
U.S. Government Obligations and Federal Agency Securities	12,550,161	-	12,550,161	-
Mortgage Backed Securities	4,049,856	-	4,049,856	-
Collateralized Mortgage Obligations	2,147,623	-	2,147,623	-
Corporate Bonds	12,109,274	-	12,109,274	-
Stocks	57,564,386	57,564,386	-	-
Municipal Obligations	119,701	-	119,701	-
Mutual Funds:				
Balanced	14,101,530	14,101,530	-	-
Equity	22,900,463	22,900,463	-	-
	<u>\$ 125,715,019</u>	<u>\$ 94,566,379</u>	<u>\$ 31,148,640</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Pooled/Common/Commingled Funds:				
Equity Index Fund	15,083,260			
Real Estate Commingled Fund	16,984,016			
Total Investments Measured at the NAV	<u>32,067,276</u>			
Total Investments Measured at Fair Value	<u>157,782,295</u>			
Cash Equivalents Measured at Amortized Cost				
Money Market Funds and Other Short-Term Cash	3,783,321			
Total Cash Equivalents and Investments	<u><u>\$ 161,565,616</u></u>			

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement (Continued)

Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices.

Other information for investments measured at the NAV or its equivalent follows:

	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled/Common/Commingled Funds:				
Equity Index Fund	\$ 15,083,260	\$ -	Monthly	Daily
Real Estate Commingled Fund	16,984,016	173,071	Quarterly	Daily
Total Investments Measured at the NAV	<u>\$ 32,067,276</u>			

Equity Index Fund

The investment objective of the RhumbLine Russell 1000 Pooled Index Trust is to match the return of the Russell 1000 Index through investments in substantially all of the stocks contained in that index.

Real Estate Fund

The American Core Realty Fund is an open-end diversified core real estate commingled fund whose primary objective is to provide returns that are attractive relative to other asset classes with stable income and the potential for market appreciation. The Fund invests primarily in core institutional quality industrial, multi-family, office, and retail properties located throughout the United States, and is diversified by product type, geographic region, and economic exposure in order to mitigate investment risk.

NOTE 4 NET PENSION LIABILITY

The components of the net pension liability of the City as it pertains to this Plan at September 30, 2017 were as follows:

Total Pension Liability	\$ 183,622,802
Plan Fiduciary Net Position	<u>(161,361,569)</u>
City's Net Pension Liability	<u>\$ 22,261,233</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>87.88%</u>

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 NET PENSION LIABILITY (CONTINUED)

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 2.25%
- Salary Increases 6.00% - 10.00%
- Investment Rate of Return 7.75%
- Mortality rates were based on the RP-2000 Fully Generational Mortality Table with a Blue Collar adjustment for males. Disabled lives are set forward two years for females and set back four years for males.
- The actuarial assumptions used in the October 1, 2016 valuation were based on the results of an actuarial experience study used to review the other significant assumptions; the experience study was dated May 1, 2012.
- 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 in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Stock	6.00%
U.S. Small/Mid/ Cap Stock	6.50%
International Equity	6.25%
U.S. Direct Real Estate	5.25%
Absolute Return	3.25%
U.S. Aggregate Bond	2.00%

- The discount rate used to measure the total pension liability was 7.75%. 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 CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 NET PENSION LIABILITY (CONTINUED)

- Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, as it pertains to this Plan, calculated using the discount rate of 7.75%, 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 and 1 percentage point higher than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
City's Net Pension Liability	<u>\$ 46,721,016</u>	<u>\$ 22,261,233</u>	<u>\$ 2,279,988</u>

NOTE 5 ADMINISTRATIVE AND INVESTMENT EXPENSES

Administrative and investment expenses for the year ended September 30, 2017 were as follows:

	Investment Expenses	Administrative Expenses
Actuary Fees	\$ -	\$ 41,452
Fiduciary Liability Insurance	-	6,429
Investment Management and Consulting	512,685	-
Legal and Audit Fees	-	30,021
Custodian	68,255	-
Administrative and Other Expenses	-	1,586
Trustee Expenses	-	9,416
Third-Party Administrative Fees	-	28,656
Total Investment and Administrative Expenses	<u>\$ 580,940</u>	<u>\$ 117,560</u>

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET
PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

<u>September 30,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Pension Liability					
Service Cost	\$ 4,788,378	\$ 4,597,357	\$ 4,181,795	\$ 4,249,385	\$ 3,943,745
Interest	13,168,259	11,714,484	11,186,338	10,547,735	9,908,025
Change in Excess State Money	(1,653,314)	379,832	256,415	209,437	-
Share Plan Allocation	1,735,860	-	-	-	-
Changes of Benefit Terms	-	-	-	-	-
Difference Between Expected and Actual Experience	2,007,169	2,017,708	(2,507,874)	-	-
Changes of Assumptions	-	6,709,188	-	-	-
Contributions - Buy Back	190,028	105,656	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(6,783,071)	(6,370,968)	(6,551,123)	(6,427,849)	(5,378,316)
Net Change in Total Pension Liability	13,453,309	19,153,257	6,565,551	8,578,708	8,473,454
Total Pension Liability - Beginning of Year	<u>170,169,493</u>	<u>151,016,236</u>	<u>144,450,685</u>	<u>135,871,977</u>	<u>127,398,523</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 183,622,802</u></u>	<u><u>\$ 170,169,493</u></u>	<u><u>\$ 151,016,236</u></u>	<u><u>\$ 144,450,685</u></u>	<u><u>\$ 135,871,977</u></u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 7,111,509	\$ 6,875,656	\$ 6,995,863	\$ 6,660,536	\$ 6,260,750
Contributions - State	1,323,470	1,256,354	1,132,937	1,085,959	1,002,434
Contributions - Employee	1,700,178	1,553,768	1,454,685	1,326,883	1,414,151
Contributions - Buy Back	154,068	105,656	-	-	-
Net Investment Income	17,756,734	10,749,925	128,262	10,828,135	13,788,213
Benefit Payments, Including Refunds of Employee Contributions	(6,778,799)	(6,370,968)	(6,551,123)	(6,427,849)	(5,378,316)
Administrative Expenses	(117,560)	(112,350)	(132,861)	(112,882)	(92,544)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	21,149,600	14,058,041	3,027,763	13,360,782	16,994,688
Plan Fiduciary Net Position - Beginning of Year	<u>140,211,969</u>	<u>126,153,928</u>	<u>123,126,165</u>	<u>109,765,383</u>	<u>92,770,695</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 161,361,569</u></u>	<u><u>\$ 140,211,969</u></u>	<u><u>\$ 126,153,928</u></u>	<u><u>\$ 123,126,165</u></u>	<u><u>\$ 109,765,383</u></u>
City's Net Pension Liability - End of Year (a) - (b)	<u><u>\$ 22,261,233</u></u>	<u><u>\$ 29,957,524</u></u>	<u><u>\$ 24,862,308</u></u>	<u><u>\$ 21,324,520</u></u>	<u><u>\$ 26,106,594</u></u>

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET
PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
LAST 10 FISCAL YEARS

<u>September 30,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.88%	82.40%	83.54%	85.24%	80.79%
Covered Payroll	\$ 17,014,603	\$ 15,813,229	\$ 18,006,886	\$ 12,835,801	\$ 13,471,634
City's Net Pension Liability as a Percentage of Covered Payroll	130.84%	189.45%	138.07%	166.13%	193.79%

Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for only those years for which information is available.

For the measurement date September 30, 2016, the amount reported as changes of assumptions resulted from the following:

- As a result of Chapter 2015-157, *Laws of Florida*, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees
- The inflation assumption rate was lowered from 3.00% to 2.25%, matching the long-term inflation assumption utilized by the Plan's investment consultant

**CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

<u>September 30,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$ 7,582,575	\$ 7,433,901	\$ 7,613,340	\$ 7,537,058	\$ 7,137,272
Contributions in Relation to the Actuarially Determined Contributions	<u>8,352,433</u>	<u>7,752,178</u>	<u>7,872,385</u>	<u>7,537,058</u>	<u>7,137,272</u>
Contribution Deficiency (Excess)	<u>\$ (769,858)</u>	<u>\$ (318,277)</u>	<u>\$ (259,045)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 17,014,603	\$ 15,813,229	\$ 18,006,886	\$ 12,835,801	\$ 13,471,674
Contributions as a Percentage of Covered Payroll	49.09%	49.02%	43.72%	58.72%	52.98%

Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for only those years for which information is available.

**CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

The table below summarizes the annual money-weighted rate of return, net of investment expenses.

<u>Year Ended September 30,</u>	<u>Rate of Return</u>
2017	12.59%
2016	8.47%
2015	0.10%
2014	9.77%
2013	14.48%

Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for only those years for which information is available.

**CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017**

NOTE 1 ACTUARIAL ASSUMPTIONS

The following actuarial methods and assumptions were used to determine contribution rates for the year ended September 30, 2017:

Funding Method	Entry Age Normal Actuarial Cost Method								
Amortization Method	Level Percentage of Pay, Closed								
Remaining Amortization Period	27 Years (as of October 1, 2015)								
Asset Smoothing Methodology	The actuarial value of assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a de minimus bias that is above or below the market value of assets.								
Salary Increases	<table><tr><th><u>Years of Service</u></th><th><u>Assumption</u></th></tr><tr><td>< 5 Years</td><td>10.00%</td></tr><tr><td>5 - 15 Years</td><td>7.00%</td></tr><tr><td>> 15 Years</td><td>6.00%</td></tr></table> <p>7.00% Increase was Used on Valuations Prior to October 1, 2012</p>	<u>Years of Service</u>	<u>Assumption</u>	< 5 Years	10.00%	5 - 15 Years	7.00%	> 15 Years	6.00%
<u>Years of Service</u>	<u>Assumption</u>								
< 5 Years	10.00%								
5 - 15 Years	7.00%								
> 15 Years	6.00%								
Final Year Salary Load	<p>Based on Years of Credited Service as of February 7, 2012, as follows:</p> <table><tr><th><u>Years of Service</u></th><th><u>Assumption</u></th></tr><tr><td>0 Years</td><td>0.00%</td></tr><tr><td>< 10 Years</td><td>5.00%</td></tr><tr><td>> 10 Years</td><td>10.00%</td></tr></table> <p>A Flat 10.00% Load was Used on Valuation Prior to October 1, 2012</p>	<u>Years of Service</u>	<u>Assumption</u>	0 Years	0.00%	< 10 Years	5.00%	> 10 Years	10.00%
<u>Years of Service</u>	<u>Assumption</u>								
0 Years	0.00%								
< 10 Years	5.00%								
> 10 Years	10.00%								

CITY OF CAPE CORAL MUNICIPAL POLICE OFFICERS' RETIREMENT PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SEPTEMBER 30, 2017

NOTE 1 ACTUARIAL ASSUMPTIONS (CONTINUED)

Interest Rate 7.75% Per Year, Compounded Annually, Net of Investment Related Expenses.

Payroll Growth 5.00% Per Year

Normal Retirement	Number of Years after First Eligible	Retirement Probability
	0 - 4	50.00%
	5 or More	100.00%

Early Retirement Commencing at eligibility for early retirement (age 40 with 10 years of service), members are assumed to retire with an immediate benefit at the rate of 2.00% per year.

Termination Rates	Credited Service	Termination Probability
	0 - 1	7.50%
	2 - 5	4.00%
	5 or More	3.50%

Termination Rates for Valuations Prior to October 1, 2012 were Aged Based.

Disability Rates	Age	% Becoming Disabled During the Year
	20	0.153%
	30	0.174%
	40	0.363%
	50	1.287%

It is assumed that 75% of disability retirements are service-related.

Mortality RP-2000 (combined healthy with no projection). Disabled lives are set forward five years. Based on a study of 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward five years.

Board of Trustees
City of Cape Coral Municipal Police Officers' Retirement Plan
Cape Coral, Florida

We have audited the financial statements of City of Cape Coral Municipal Police Officers' Retirement Plan (the Plan) as of and for the year ended September 30, 2017, and have issued our report thereon dated March 14, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- The actuarial valuation was based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 7.75% per annum compounded annually. The total pension liability, net pension liability, and certain sensitivity information shown in the financial statements are based on an actuarial valuation performed as of October 1, 2016. The total pension liability was rolled forward from the valuation date to the Plan's fiscal year ending September 30, 2017, using generally accepted actuarial principles. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.
- Management's estimate of the valuation of investments described in Note 3 to the financial statements. We evaluated the key factors and assumptions used to develop the estimate of fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

The disclosure of the Net Pension Liability in Note 4 to the financial statements which is based on the assumptions used in the actuarial valuation mentioned above.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated March 14, 2018.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Board of Trustees and management of the Plan and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
March 14, 2018

**CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS'
RETIREMENT PLAN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2017

**CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
City of Cape Coral Municipal Firefighters' Retirement Plan
Cape Coral, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Cape Coral Municipal Firefighters' Retirement Plan (the Plan), which comprise the statement of fiduciary net position as of September 30, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

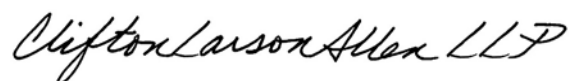
In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan's fiduciary net position as of September 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the schedules of changes in the City's net pension liability and related ratios, contributions, and investment returns, as listed in the table of contents, 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.

Management has omitted the management 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 these basic financial statements is not affected by this missing information.



CliftonLarsonAllen LLP

Fort Myers, Florida
March 15, 2018

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017

ASSETS

CASH AND CASH EQUIVALENTS	\$ 4,383,652
RECEIVABLES	
Due from Broker for Securities Sold	175,173
Investment Income	178,241
Total Receivables	<u>353,414</u>
INVESTMENTS	
Certificates of Deposit	167,110
U.S. Government Obligations and Federal Agency Securities	14,585,842
Mortgage Backed Securities	4,899,549
Collateralized Mortgage Obligations	2,272,148
Corporate Bonds	13,657,693
Stocks	52,989,173
Municipal Obligations	143,641
Mutual Funds:	
Balanced	15,476,330
Equity	23,209,250
Pooled/Common/Commingled Funds:	
Equity Index	20,323,201
Real Estate	16,984,016
Total Investments	<u>164,707,953</u>
PREPAID EXPENSES	<u>5,856</u>
Total Assets	169,450,875

LIABILITIES

ACCOUNTS PAYABLE	131,625
DUE TO BROKER FOR SECURITIES PURCHASED	<u>318,515</u>
Total Liabilities	<u>450,140</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 169,000,735</u></u>

See accompanying Notes to Financial Statements.

**CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2017**

ADDITIONS

CONTRIBUTIONS

Employer	\$ 8,759,719
Plan Members	1,450,606
State Contributions	<u>1,445,431</u>
Total Contributions	11,655,756

INVESTMENT INCOME (EXPENSE)

Investment Income	3,947,680
Net Appreciation in Fair Value of Investments	13,889,725
Less: Investment Expenses	<u>(500,744)</u>
Net Investment Income	<u>17,336,661</u>

Total Additions to Net Position	28,992,417
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DEDUCTIONS

BENEFITS AND REFUNDS	7,933,230
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ADMINISTRATIVE EXPENSES	<u>161,973</u>
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Total Deductions from Net Position	<u>8,095,203</u>
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NET INCREASE IN NET POSITION	20,897,214
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NET POSITION RESTRICTED FOR PENSIONS:

Beginning of Year	<u>148,103,521</u>
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End of Year	<u><u>\$ 169,000,735</u></u>
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CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 DESCRIPTION OF PLAN

The following description of the City of Cape Coral Municipal Firefighters' Retirement Plan (the Plan) provides only general information. Members should refer to the Plan agreement for a more complete description of the Plan's provision.

At September 30, 2017, the Plan's membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	140
Inactive Plan Members Entitled to but not yet Receiving Benefits	11
Active Plan Members	<u>171</u>
Total	<u><u>322</u></u>

General

The Plan is a defined benefit pension plan covering all sworn firefighters of the City. Participation in the Plan is required as a condition of employment. The Plan provides for pension, death and disability benefits, and is subject to the provisions of Chapter 175, Florida Statutes, and ordinances of the City of Cape Coral.

The Plan, in accordance with the above statute, is governed by a five member pension board (the Board). The Board is comprised as follows: two members must be legal residents of the City, and are appointed by City Council; two members must be members in the Plan, and are elected by a majority of Plan members; the final is elected by a majority of the other four board members. Each board member serves a four year period. The Board has engaged the services of a third party administrator to administer the Plan.

Pension Benefits

Monthly accrued benefit - The monthly accrued benefit equals 3.25% of average final compensation, times the years of credited service.

Credited service is defined as the period of service, as measured in years and partial years.

Average final compensation is defined as one-sixtieth of the average salary (as defined by the Plan) for the five twelve month periods which produce the greatest average.

The Plan allows for a cost of living increase of 3.00% per year. The increase is effective on the first October 1 after having received one full year of benefits. For firefighters hired after June 16, 2014, the increase is effective on the October 1 after having received three full years of benefits.

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Pension Benefits (Continued)

Payment options - the Plan offers a variety of payment options including the following: partial lump sum payouts, 10 certain and year life annuities, joint and survivor annuities, and social security options. For members who have not reached normal retire age as of June 16, 2014, the maximum benefit is capped at \$95,000 per year, exclusive of any cost of living increases.

Normal retirement age - normal retirement age is defined as:

- a. Age 50, regardless of the number of years of credited service (age 52 and 10 years of credited service for firefighters hired after June 15, 2014), or
- b. Completion of 25 years of credited service, regardless of age.

Early retirement age - members become eligible for early retirement upon reaching age forty, and having ten years of credited service. The early retirement benefit is calculated and reduced actuarially, based upon the normal retirement benefit.

Death and disability - Upon the death of a vested member prior to retirement, the beneficiary will receive the member's monthly accrued benefit for life with 10 years certain beginning on the member's early or normal retirement date. Upon the death of a nonvested member prior to retirement, the beneficiary will receive the member's accumulated contributions in lieu of any other benefits payable under the Plan.

Active members who become totally and permanently disabled in the line of duty shall receive a normal retirement benefit with the minimum benefit equal to 66.67% of average final compensation. Any member who becomes totally and permanently disabled while not in the line of duty, shall receive a normal retirement benefit, based upon years of credited service as follows:

- a. Greater than 10 years - 66.67% of average final compensation.
- b. Between 5 and 10 years - 50% of average final compensation.
- c. Less than 5 years - 25% of average final compensation.

Forfeiture of benefits - if convicted of certain crimes, as identified in the Plan Document, members forfeit all of their vested benefits, and their personal contributions are refunded to them. Additionally, the Plan identifies certain instances in which members would not qualify for disability benefits, due to the nature of the disability (for example, illegal drug use).

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Vesting

Members are fully vested in their contributions, and become vested in all other contributions on a graduated scale as follows:

<u>Years of Services</u>	<u>Percentage Vested</u>
Less than 5 Years	0%
5	50
6	60
7	70
8	80
9	90
10 or More	100

For members hired after June 16, 2014, there is no vesting until members have accrued 10 years of credited service. Additionally, for members who have more than 5 years of credited service, but less than 10 years as of June 16, 2014, those members' vesting is frozen at the percentage above until such time that the member has 10 years of credited service.

Deferred Retirement Option Plan (DROP)

Members who qualify for normal retirement may enroll in DROP. Members who enroll in DROP may remain active employees for up to five years. Upon enrollment, members' monthly benefits accrue until such time that they leave the DROP program. Payment shall be made from the DROP account within 120 months after termination of employment. Additionally, upon enrollment, members are no longer eligible for disability or pre-retirement death benefits, nor can they receive any additional years of credited service. As of September 30, 2017, the Plan had 23 members enrolled in DROP, and the total amount of accrued benefits was \$17,222,459.

Contributions and Funding

Covered firefighters are required to contribute 10.00% of their salary to the Plan. The City makes contributions based on actuarially determined minimum funding requirements. Additionally, the state of Florida contributes insurance premium taxes which are used to help reduce the City's portion of its minimum funding requirement.

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Plan member 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.

Fair Value Measurements

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

Basis of Presentation

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, 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 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 document.

Valuation of Investments and Investment Income

Plan investments are recorded at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation (depreciation) in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation (depreciation) for the year is reflected in the statement of changes in plan net position.

**CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Policy

The Board has established an investment policy and is charged with the responsibility to review the policy and its addenda and amend it periodically in order to reflect any changes in philosophy or objectives. If at any time the Plan's investment manager(s) believes that the specific objectives within the policy cannot be met, or that the guidelines unnecessarily constrict performance, the Board shall be so notified in writing. The Board recognizes that the obligations of the Plan are long-term and that investment policy should be made with a view toward performance and return over a number of years. In addition to complying with Florida Statutes 112, 175 and 215, the general investment objectives include the preservation of invested capital, and achieving moderate long-term growth of plan assets while minimizing the volatility of returns. To achieve these objectives the Plan has hired various investment management firms and monitors their performance in three to five year cycles. The goal of the Plan is to achieve an average annual rate of return greater than the actuarial assumed rate (7.70% at September 30, 2017).

The Board has established the following target allocation for the Plan:

<u>Investment Type</u>	<u>Target Allocation</u>	<u>Permissible Range</u>	<u>Representative Benchmark</u>
Large Cap Equity	35%	25% - 45%	Russell 1000
Foreign Equity	15%	10% - 25%	EAFE
Small/Mid Cap Equity	10%	5% - 15%	Russell 2500
Total Equity	60%		
Direct Real Estate	10%	3% - 15%	NCREIF
Absolute Return	10%	5% - 15%	CPI +4
Fixed Income	20%	15% - 25%	Barclays Agg
Cash Equivalents	0%	0% - 10%	Treasury Bills

Reporting Entity

The financial statements presented are only for the Plan and are not intended to present the basis financial statements of the City of Cape Coral.

The Plan is included in the City's Comprehensive Annual Financial Report for the year ended September 30, 2017, which is a separately issued document. Anyone wishing further information about the City is referred to the City's Comprehensive Annual Financial Report. The Plan is a pension trust fund (fiduciary fund type) of the City which accounts for the single employer defined benefit plan for all City firefighters.

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 affect the amounts reported in the statements of net position.

NOTE 3 CASH AND INVESTMENTS

Cash and Investments

The Plan's custodian periodically holds uninvested cash in its respective capacity as trustee for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

The Plan's investments are segregated into separate accounts and are managed by investment management companies under the terms of separate agreements that are updated on a regular basis. Investment management and custodial fees are calculated quarterly as a percentage of the fair value of the Plan's managed assets.

Rate of Return

For the year ended September 30, 2017, the annual money weighted rate of return on plan investments, net of plan investment expense, was 11.64%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Cash and Cash Equivalents

Cash equivalents represent a money market portfolio whose underlying securities are comprised of U.S. government securities and repurchase agreements, and these money market funds are reported at cost. At September 30, 2017, the Plan had \$3,886,870 invested in Goldman Sachs Financial Square Treasury Obligations Fund and \$491,356 invested in Goldman Sachs Financial Square Governmental Fund, each with an "AAAm" rating. The remaining balance of cash and cash equivalents consisted of short term uninvested cash totaling \$5,426 as of September 30, 2017.

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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. The Plan's investment policy states that the duration of the fixed income portfolio shall not exceed 135% of the duration of the market index. The market index is defined as the Barclays Aggregate Bond Index. For the year ended September 30, 2017, the effective duration of the Plan's fixed income portfolio was 6.7, which represented 108% of the duration of the market index.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Plan would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Florida Statutes and the Plan's investment policy state securities should be held with a third party custodian. As of September 30, 2017, 100% of the Plan's investments are held by a third party custodian.

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations, and concentration risk is the risk of loss attributed to the magnitude of an investment in a single issuer or investment class.

Credit and Concentration Risks

To help mitigate these risks, the Plans' investment policy sets guidelines and other allocation/restrictions on investments. Some of these guidelines include:

- a. The total investment in equity securities cannot exceed 70% of the Plan's total asset value. No more than 5% at cost value of an investment manager's equity portfolio may be invested in the shares of a single corporate issuer.
- b. The average credit quality of the bond portfolio shall be "A" or higher, and corporate bonds rated below "BBB" shall not exceed 15% of the entire fixed income portfolio. No more than 5% at cost value of an investment manager's fixed income portfolio may be invested in the securities of a single corporate issuer.
- c. Collateralized Mortgage Obligations (CMOs) shall be limited to 15% of the market value of the investment managers' total fixed income portfolio.
- d. There is no imposed limit on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality, thereof.
- e. Investment in real estate shall not exceed 15% of the fiduciary net position.

Consult the Plan's investment policy for a complete listing of guidelines and restrictions.

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit and Concentration Risks (Continued)

As of September 30, 2017, the portfolio percentage and weighted average duration by investment type is as follows:

	<u>Amount</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturity (Years)</u>
Cash and Cash Equivalents:			
Money Market Funds	\$ 4,383,652	2.59%	N/A
Investments:			
Certificates of Deposit	167,110	0.10%	0.48
U.S. Government Obligations and Federal Agency Securities	14,585,842	8.63%	10.41
Mortgage Backed Securities (MBS)	4,899,549	2.90%	
Collateralized Mortgage Obligations (CMO)	2,272,148	1.34%	
Corporate Bonds	13,657,693	8.08%	
Subtotal MBS, CMO, and Corporate Bonds	20,829,390		10.31
Stocks	52,989,173	31.34%	N/A
Municipal Obligations	143,641	0.08%	22.68
Mutual Funds:			
Balanced	15,476,330	9.15%	N/A
Equity	23,209,250	13.73%	N/A
Pooled/Common/Commingled Funds:			
Equity	20,323,201	12.02%	N/A
Real Estate	16,984,016	10.04%	N/A
Total	<u>\$ 169,091,605</u>	<u>100.00%</u>	

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit and Concentration Risks (Continued)

As of September 30, 2017, the Plan had the following credit exposure as a percentage of fixed income investments:

<u>Standard & Poor's Credit Rating</u>	<u>Amount</u>	<u>Percentage of Portfolio</u>
AAA	\$ 781,399	3.70%
AA+	3,992,131	18.88%
AA	788,983	3.73%
AA-	1,000,074	4.73%
A+	1,351,869	6.39%
A	2,806,383	13.28%
A-	2,226,342	10.53%
A-1+	23,000	0.11%
BBB+	2,589,502	12.25%
BBB	286,937	1.36%
BBB-	42,108	0.20%
Not Rated	5,251,413	24.84%
Total	<u>\$ 21,140,141</u>	<u>100.00%</u>

The following includes investments that represent 5% or more of the Plan's fiduciary net position as of September 30, 2017.

<u>Investment</u>	
American Core Realty Fund	\$ 16,984,016
Rhumblin Russell 1000 Pooled Index Fund	<u>20,323,201</u>
Total	<u>\$ 37,307,217</u>

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan had the following recurring fair value measurements comprised of investments as of September 30, 2017:

	Fair Value	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)
Investment by Fair Value Level				
Certificates of Deposit	\$ 167,110	\$ -	\$ 167,110	\$ -
U.S. Government Obligations and Federal Agency Securities	14,585,842	-	14,585,842	-
Mortgage Backed Securities	4,899,549	-	4,899,549	-
Collateralized Mortgage Obligations	2,272,148	-	2,272,148	-
Corporate Bonds	13,657,693	-	13,657,693	-
Stocks	52,989,173	52,989,173	-	-
Municipal Obligations	143,641	-	143,641	-
Mutual Funds:				
Balanced	15,476,330	15,476,330	-	-
Equity	23,209,250	23,209,250	-	-
Total	<u>127,400,736</u>	<u>\$ 91,674,753</u>	<u>\$ 35,725,983</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Pooled/Common/Commingled Funds:				
Equity Index Funds	20,323,201			
Real Estate Commingled Fund	<u>16,984,016</u>			
Total Investments Measured at the NAV	<u>37,307,217</u>			
Total Investments Measured at Fair Value	164,707,953			
Cash Equivalents Measured at Amortized Cost				
Money Market Funds and Other Short-Term Cash	<u>4,383,652</u>			
Total Cash Equivalents and Investments	<u>\$ 169,091,605</u>			

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement (Continued)

Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices.

Other information for investments measured at the NAV or its equivalent follows:

	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled/Common/Commingled Funds:				
Equity Index Funds	\$ 20,323,201	\$ -	Monthly	Daily
Real Estate Commingled Fund	16,984,016	173,071	Quarterly	Daily
Total Investments Measured at the NAV	<u>\$ 37,307,217</u>			

Equity Index Fund

The investment objective of the RhumbLine Russell 1000 Pooled Index Trust is to match the return of the Russell 1000 Index through investments in substantially all of the stocks contained in that index.

Real Estate Fund

The American Core Realty Fund is an open-end diversified core real estate commingled fund whose primary objective is to provide returns that are attractive relative to other asset classes with stable income and the potential for market appreciation. The Fund invests primarily in core institutional quality industrial, multi-family, office, and retail properties located throughout the United States, and is diversified by product type, geographic region, and economic exposure in order to mitigate investment risk.

NOTE 4 NET PENSION LIABILITY

The components of the net pension liability of the City as it pertains to this Plan at September 30, 2017 were as follows:

Total Pension Liability	\$ 206,388,489
Plan Fiduciary Net Position	<u>(169,000,735)</u>
City's Net Pension Liability	<u>\$ 37,387,754</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>81.88%</u>

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 NET PENSION LIABILITY (CONTINUED)

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 2.25%
- Salary Increases 7.50%
- Investment Rate of Return 7.70%
- Mortality rates were based on the RP-2000 Fully Generational Mortality Table with a Blue Collar adjustment for males. Disabled lives are set forward two years for females and four years for males.
- The actuarial assumptions used in the October 1, 2016 valuation were based on the results of an actuarial experience study used to review the other significant assumptions; the experience study was dated November 30, 2017.
- 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 in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Stock	6.00%
U.S. Small/Mid/ Cap Stock	6.50%
International Equity	6.25%
U.S. Direct Real Estate	5.25%
Absolute Return	3.25%
U.S. Aggregate Bond	2.00%

- The discount rate used to measure the total pension liability was 7.70%. 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 CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 NET PENSION LIABILITY (CONTINUED)

- Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, as it pertains to this Plan, calculated using the discount rate of 7.70%, 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 and 1 percentage point higher than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
City's Net Pension Liability	<u>\$ 64,172,340</u>	<u>\$ 37,387,754</u>	<u>\$ 15,684,013</u>

NOTE 5 ADMINISTRATIVE AND INVESTMENT EXPENSES

Administrative and investment expenses for the year ended September 30, 2017 were as follows:

	Investment Expenses	Administrative Expenses
Actuary Fees	\$ -	\$ 47,165
Fiduciary Liability Insurance	-	5,856
Investment Management and Consulting	500,744	-
Legal Fees	-	29,926
Administrative and Other Expenses	-	141
Trustee Expenses	-	32,995
Third Party Administrative Fees	-	45,890
Total Investment and Administrative Expenses	<u>\$ 500,744</u>	<u>\$ 161,973</u>

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

September 30,	2017	2016	2015	2014	2013
Total Pension Liability					
Service Cost	\$ 4,266,311	\$ 4,009,132	\$ 4,102,490	\$ 3,832,937	\$ 3,552,305
Interest	15,178,381	13,798,633	12,898,695	12,184,828	11,567,933
Change in Excess State Money	-	-	-	(1,825,958)	-
Difference Between Expected and Actual Experience	1,557,771	(260,997)	1,438,736	-	-
Changes of Assumptions	(3,502,874)	8,638,016	-	2,832,093	-
Contributions - Buy Back	-	179,583	33,685	-	-
Benefit Payments, Including Refunds of Employee Contributions	(7,933,230)	(7,159,967)	(6,376,309)	(7,469,627)	(7,714,523)
Net Change in Total Pension Liability	9,566,359	19,204,400	12,097,297	9,554,273	7,405,715
Total Pension Liability - Beginning of Year	196,822,130	177,617,730	165,520,433	155,966,160	148,560,445
Total Pension Liability - End of Year (a)	<u>\$ 206,388,489</u>	<u>\$ 196,822,130</u>	<u>\$ 177,617,730</u>	<u>\$ 165,520,433</u>	<u>\$ 155,966,160</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 8,759,719	\$ 8,424,472	\$ 7,706,894	\$ 6,047,404	\$ 7,365,990
Contributions - State	1,445,431	1,449,699	1,306,968	1,521,432	1,529,756
Contributions - Employee	1,450,606	1,292,651	1,338,752	1,315,620	1,241,892
Contributions - Buy Back	-	179,583	33,685	-	-
Net Investment Income (Loss)	17,336,661	13,139,913	(460,924)	10,951,006	14,442,471
Benefit Payments, Including Refunds of Employee Contributions	(7,933,230)	(7,159,967)	(6,376,309)	(7,469,627)	(7,714,523)
Administrative Expenses	(161,973)	(152,949)	(164,111)	(103,859)	(84,490)
Net Change in Plan Fiduciary Net Position	20,897,214	17,173,402	3,384,955	12,261,976	16,781,096
Plan Fiduciary Net Position - Beginning of Year	148,103,521	130,930,119	127,545,164	115,283,188	98,502,092
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 169,000,735</u>	<u>\$ 148,103,521</u>	<u>\$ 130,930,119</u>	<u>\$ 127,545,164</u>	<u>\$ 115,283,188</u>
City's Net Pension Liability - End of Year (a) - (b)	<u>\$ 37,387,754</u>	<u>\$ 48,718,609</u>	<u>\$ 46,687,611</u>	<u>\$ 37,975,269</u>	<u>\$ 40,682,972</u>

**CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND
RELATED RATIOS (CONTINUED)
LAST TEN FISCAL YEARS**

<u>September 30,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.88%	75.25%	73.71%	77.06%	73.92%
Covered Payroll	\$ 14,509,395	\$ 13,056,409	\$ 14,588,691	\$ 12,722,509	\$ 12,097,174
City's Net Pension Liability as a Percentage of Covered Payroll	257.68%	373.14%	320.03%	298.49%	336.30%

Notes to Schedule

Information is required to be presented for ten years. However, until a full ten year trend is compiled, the Plan will present information for only those years for which information is available.

For the measurement date September 30, 2017, the amount reported as changes of assumptions resulted from the following:

- As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from the rates used by the Florida Retirement System actuary in the July 1, 2015 actuarial valuation to the rates used in the July 1, 2016 actuarial valuation for special risk lives.
- The assumptions for termination, normal retirement, disability were updated in accordance with the experience study dated November 30, 2017.
 - Termination rates were changed from an age-based table to a service-based table.
 - Normal retirement rates were reduced for Members with less than 25 years of Credited Service. Additionally, the assumption that Members currently eligible for normal retirement would retire with 100% probability was removed.
 - Disability rates were doubled at each age.

For the measurement date September 30, 2016, the amount reported as changes of assumptions resulted from the following:

- As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees
- The inflation assumption rate was lowered from 3.00% to 2.25%, matching the long-term inflation assumption utilized by the Plan's investment consultant
- The investment rate of return was lowered from 7.75% to 7.70% per year compounded annually, net of investment related expenses.

For the measurement date September 30, 2014, the amount reported as changes of assumptions resulted from the following:

- To comply with Chapter 112, Florida Statutes, the payroll growth was limited to the ten year average rate of 4.41% (prior year valuation used 5.00% rate)
- The investment rate of return was lowered from 7.90% to 7.75% per year compounded annually, net of investment related expenses.

**CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS**

<u>September 30,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$ 10,015,294	\$ 9,655,384	\$ 9,013,862	\$ 9,104,319	\$ 8,680,932
Less: 50% of State Contributions in Excess of Frozen	(65,244)	-	-	-	-
Contributions in Relation to the Actuarially Determined Contributions	<u>10,074,661</u>	<u>9,806,793</u>	<u>9,013,862</u>	<u>9,188,304</u>	<u>8,680,932</u>
Contribution Deficiency (Excess)	<u>\$ (124,611)</u>	<u>\$ (151,409)</u>	<u>\$ -</u>	<u>\$ (83,985)</u>	<u>\$ -</u>
Covered Payroll	\$ 14,509,395	\$ 13,056,409	\$ 14,588,691	\$ 12,722,509	\$ 12,097,174
Contributions as a Percentage of Covered Payroll	69.44%	75.11%	61.79%	72.22%	71.76%

Notes to Schedule

Information is required to be presented for ten years. However, until a full ten year trend is compiled, the Plan will present information for only those years for which information is available.

**CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS**

The table below summarizes the annual money-weighted rate of return, net of investment expenses.

<u>Year Ended September 30,</u>	<u>Rate of Return</u>
2017	11.64%
2016	9.99%
2015	-0.36%
2014	9.48%
2013	14.44%

Notes to Schedule

Information is required to be presented for ten years. However, until a full ten year trend is compiled, the Plan will present information for only those years for which information is available.

CITY OF CAPE CORAL MUNICIPAL FIREFIGHTERS' RETIREMENT PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

NOTE 1 ACTUARIAL ASSUMPTIONS

The following actuarial method and assumptions were used to determine the actuarially determined contribution for the year ended September 30, 2017:

Funding Method	Entry Age Normal Actuarial Cost Method																	
Amortization Method	Level Percentage of Pay, Closed																	
Remaining Amortization Period	27 Years (As of October 1, 2015)																	
Asset Smoothing Methodology	The actuarial value of assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in an insignificant bias that is above or below the market value of assets.																	
Salary Increases	7.5% per year																	
Final Year Salary Load	Based on Years of Credited Service as of February 7, 2012, as follows:																	
	<table><tr><th>Years of Service</th><th>Assumption</th></tr><tr><td>0 Years</td><td>No Load</td></tr><tr><td>< 10 Years</td><td>5.00%</td></tr><tr><td>> 10 Years</td><td>10.00%</td></tr></table>	Years of Service	Assumption	0 Years	No Load	< 10 Years	5.00%	> 10 Years	10.00%									
Years of Service	Assumption																	
0 Years	No Load																	
< 10 Years	5.00%																	
> 10 Years	10.00%																	
Interest Rate	7.75% Per Year, Compounded Annually, Net of Investment Related Expenses.																	
Payroll Growth	2.46% Per Year																	
Benefit Cap Index	1.00% Assumption Each Year Beginning in 2018																	
Normal Retirement	Earlier of 1) age 50 (age 52 and 10 year of service for Members hired after June 15, 2014, or 2) the completion of 25 years of credited service, regardless of age																	
Early Retirement	Age 40 and completion of 10 years of credited service																	
Mortality	RP-2000 (combined healthy with no projection). Disabled lives are set forward 5 years. Based on a study of 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward 5 years.																	
Termination and Disability Rates	<table><tr><th>Age</th><th>% Terminating During the Year</th><th>% Becoming Disabled During the Year</th></tr><tr><td>20</td><td>6.00%</td><td>0.051%</td></tr><tr><td>30</td><td>5.00%</td><td>0.058%</td></tr><tr><td>40</td><td>2.60%</td><td>0.121%</td></tr><tr><td>50</td><td>0.80%</td><td>0.429%</td></tr></table>	Age	% Terminating During the Year	% Becoming Disabled During the Year	20	6.00%	0.051%	30	5.00%	0.058%	40	2.60%	0.121%	50	0.80%	0.429%		
Age	% Terminating During the Year	% Becoming Disabled During the Year																
20	6.00%	0.051%																
30	5.00%	0.058%																
40	2.60%	0.121%																
50	0.80%	0.429%																

Board of Trustees
City of Cape Coral Municipal Firefighters' Retirement Plan
Cape Coral, Florida

We have audited the financial statements of City of Cape Coral Municipal Firefighters' Retirement Plan (the Plan) as of and for the year ended September 30, 2017, and have issued our report thereon dated March 15, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Cape Coral Municipal Firefighters' Retirement Plan are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- The actuarial valuation was based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 7.75% per annum compounded annually. The total pension liability, net pension liability, and certain sensitivity information shown in the financial statements are based on an actuarial valuation performed as of October 1, 2016. The total pension liability was rolled forward from the valuation date to the Plan's fiscal year ended September 30, 2017, using generally accepted actuarial principles. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.
- Management's estimate of the valuation of investments described in Note 3 to the financial statements. We evaluated the key factors and assumptions used to develop the estimate of fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Net Pension Liability in Note 4 to the financial statements, which is based on the assumptions used in the actuarial valuation mentioned above.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated March 15, 2018.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Board of Trustees and management City of Cape Coral Municipal Firefighters' Retirement Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Fort Myers, Florida
March 15, 2018

Item Number:	4.D.
Meeting Date:	5/16/2018
Item Type:	BUSINESS

AGENDA REQUEST FORM
CITY OF CAPE CORAL



TITLE:

City Auditor Update Report - City Auditor Butola

SUMMARY:

ADDITIONAL INFORMATION:

ATTACHMENTS:

Description	Type
▣ CAO Update 2018 05	Backup Material



CITY AUDITOR'S OFFICE

TO: Mayor and Council Members

FROM: Andrea R. Butola, City Auditor *ARB*

DATE: May 15, 2018

SUBJECT: Update of City Auditor's Office Activities, 4/21/18 – 5/15/18

Completed – Internal Staff:

- ITS Risk Review- Internal Staff: Issued on April 30, 2018

In Progress – Internal Staff:

- Follow up – Timekeeping – Internal Staff: In progress. *A draft of the memo was circulated for comment May 15. A draft report review meeting is scheduled for May 30. Anticipate memo release beginning of June.*
- Citywide Audit Risk Assessment FY 2019, 2020, 2021 – Internal Staff: In progress. *All City risk assessment questionnaires returned to CAO. Charter School risk assessments were provided March 15. Due to staffing shortage, and other responsibilities and projects expect compilation to be delayed until end of June.*
- Public Works Storm Water Operations – Internal Staff: Planning and preliminary work to begin mid to late June.
- Charter School Authority Best Practices Audit – Internal Staff: In planning stage. *Entrance conference held May 10. Initial document requests sent to responsible individuals with City and Charter School. Anticipate testing to start by end of May.*
- Hurricane Irma Payroll Review – Internal Staff: Sample selection to be completed mid-May. Expect testing to begin late May.
- Follow up Review – Human Resources – Internal Staff: Submitted for review mid-April. *Anticipate closure for some recommendations early May since completion is dependent on approval of AR. One other remaining recommendation has a closure date of 8/1/2018. No further action necessary on this item at this time. These items will be monitored as appropriate.*

- Follow up Review – Public Works Contract – Internal Staff: Submitted for review mid-April. *Anticipate closure of one recommendation early May for those recommendations with closure dates prior to April 30. There are four outstanding recommendations. Three have an anticipated completion date of 7/31/2018. One has an anticipated completion date of 12/31/2018. No further action necessary on this item at this time. These items will be monitored as appropriate.*
- Follow up Review – Utilities – Internal Staff: Preliminary review started. *Director has indicated all recommendations are complete. CAO will complete limited testing and verification of closure. Anticipate work to begin early May.*
- Follow up Review – Fuel Acquisition, Monitoring, Disbursement, and Usage – Internal Staff: Follow up procedures in progress. *Two recommendations with an anticipated completion date of 3/31/2018. AR was circulated for comment with responses due back 4/13/2018. Anticipate closure on this recommendation end of May. One recommendation with anticipated completion dates of 9/30/2018 (ITS) and 12/31/2018 (Finance and Fleet). No further action necessary on these items at this time. These items will be monitored as appropriate.*
- Follow up Review – Parts Acquisition, Monitoring, Disbursement, and Usage – Internal Staff: Follow up procedures in progress. *One recommendation with anticipated completion dates of 9/30/2018 (ITS) and 12/31/2018 (Finance). No further action necessary on these items at this time. These items will be monitored as appropriate.*

Other

- Electronic Workpaper purchase completed. Installation and training to be held in August, which is the earliest available date from vendor.
- Telephone interviews for the Assistant City Auditor position were conducted May 8 through May 11. In person interview for candidate scheduled May 29.
- Audit recommendation AR 74 was submitted to City Manager for signature May 1.
- Attended City Council meetings and City Manager's Director Staff meeting.
- Continue to review and update CAO policies and procedures, report, and memo formats.
- Continue ongoing monitoring of open audit recommendations on the SharePoint action register by auditors in charge of assigned audits. Outstanding items will be incorporated into electronic workpaper software when implemented.
- During the period 4/21 – 5/15, the City Auditor's Office staff had paid leave and holiday time accordingly: 0 hours – City Auditor, 24 hours – Assistant City Auditor, 0 hours – Assistant City Auditor, 40 hours – Senior Administrative Specialist.

FY 2018 YTD Follow Up Action Register:

See Attachment A as of May 15, 2018

Professional Development:

Department staff attended the following training webinars and seminars during this period. Audit standards require all members of the audit staff to achieve continuing education credits each year.

Training program	Sponsor	City Auditor	Assistant City Auditor	Assistant City Auditor	Assistant City Auditor	Admin Support Staff
ACFE Tampa Chapter training	ACFE	14				
2018 Florida Government Training	CLA		8			
Pcard Training	City of Cape Coral	1.5	1.5			1.5
Total CPE's earned (hours)		15.5	9.5			1.5

Focus for the next period

The City Auditor and staff:

- Internal staff will:
 - Continue ongoing work on follow up for prior audits performed.
 - Continue work on audits and special projects in progress and assign FY2018 audits per audit plan.
 - Continue work on the Quality Assurance Review (QAR) of audits issued since Peer Review to address verbal finding to conduct QA.
- Continue tracking of the follow up action items.
- Identification and hiring of new audit staff

If you have any questions or comments regarding this memo or any other matter in which this office may be of assistance, please contact me at 242-3380 or by email at AButola@CapeCoral.net.

Attachment

C: John Szerlag, City Manager
Dolores Menendez, City Attorney
Rebecca van Deutekom, City Clerk
Audit Committee

City of Cape Coral
City Auditor's Office

FY 2018
Attachment A

Implementation Status of Audit Report Recommendations

		As of 5/15/2018		
Report Issue Date	Original number of recommendations	Audit Office has verified that recommendation has been implemented or closed.	Recommendations pending implementation and/or Audit Office Verification	
Evaluation of Internal Controls – <u>Fuel</u> Acquisition, Monitoring, Disbursement and Usage ##	9/23/2014	35	32	3
Evaluation of Internal Controls – <u>Parts</u> Acquisition, Monitoring, Disbursement and Usage ##	9/23/2014	26	25	1
Pension Census Data Consulting Engagement	7/9/2015	3	3	0
Timekeeping Audit	9/16/2015	14	0	14
Follow Up Human Resources Department ###	7/21/2017	11	6	5
Charter School - Internal Funds Audit (External Auditors for Follow up)	2/21/2017	21	21	0
Public Works - Road Resurfacing Contracts Audit ###	3/2/2017	5	0	5
Utilities - Capital Project - Contract Audit ###	3/3/2017	5	0	5
Police Annual Review of Property & Evidence Procedures 2016	3/30/2017	1	1	0
Financial Audit - Municipal General Retirement Plan 2016	3/30/2017	1	0	1
Prior Year Open Reports - Action Items		122	88	34
Cape Coral Police Department Seized and Forfeited Assets Program Audit	10/3/2017	1	1	0
Follow up Review - Charter Schools-Special Project-Compensation practices leave-without-pay	10/5/2017	6	6	0
Financial Audit - City CAFR 2017	3/30/2018	2	0	2
Financial Audit - Municipal General Retirement Plan 2017	3/30/2018	1	0	1
City Clerk Records Division	4/17/2018	4	0	4
FY 2018 - Action Items		14	7	7
Total		136	95	41

45 total findings that resulted in 61 recommendations as two separate follow up's

Follow Up Review memo for anticipated completion date for open items

Prepared by: A. Butola and Updated by: D. Fuhrmann