

**CITY OF WILTON MANORS
PENSION PLAN FOR
GENERAL EMPLOYEES AND POLICE**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Wilton Manors Pension Plan for General Employees and Police
Wilton Manors, Florida

We have audited the accompanying financial statements of the City of Wilton Manors Pension Plan for General Employees and Police, which are comprised of the statements of fiduciary net position as of September 30, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Wilton Manors Pension Plan for General Employees and Police as of September 30, 2015 and 2014 and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplemental information as listed in the accompanying 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, which 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information in management's discussion and analysis or the supplemental schedules, the schedule of administrative expenses, the schedule of contributions from the employer and other contributors, the schedule of investment returns, or the schedule of changes in the employer's net pension liability and related ratios because the limited procedures we performed did not provide us with sufficient evidence to express an opinion or provide any assurance on them.

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

Weston, Florida
March 24, 2016

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management's Discussion and Analysis (MD&A) of the City of Wilton Manors Pension Plan for General Employees and Police (Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2015. Please read it in conjunction with the Plan financial statements, which immediately follow.

Overview of the Financial Statements

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

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

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

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

Financial Highlights

The Plan's financial statements net results from operations for fiscal year 2015 reflected the following financial activities:

- Total fiduciary net position was \$23,065,544, which was 10% lower than 2014 total fiduciary net position.
- Total contributions were \$1,741,118, which was 2% greater than the 2014 contributions.
- Total interest and dividend earnings were \$648,778, which was 6% greater than the 2014 earnings.
- Net investment loss was \$1,489,322, which was 153% lower than the 2014 income.
- Benefits paid were \$2,756,178, which was 15% lower than the benefits paid during 2014.
- Employer and employee contributions for the year were \$1,741,118, which was 2% greater than the 2014 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Participant contributions were 10% of basic compensation for police officers and 11% of basic compensation for general employees.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Fiduciary Net Position

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

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

- Fiduciary net position at September 30, 2015 was \$23,065,544, a 10% decrease from fiduciary net position at September 30, 2014.
- Total investments at September 30, 2015 were \$22,234,787, a 10% decrease from the investments at September 30, 2014.

	2015	2014	% Change
Cash and cash equivalents	\$ 828,930	\$ 1,035,841	(20%)
Receivables	46,975	125,272	(63%)
Investments, at fair value	22,234,787	24,631,866	(10%)
Total assets	23,110,692	25,792,979	(10%)
Accounts payable	45,148	50,383	(10%)
Accounts payable - purchase of investments	-	94,269	(100%)
Total liabilities	45,148	144,652	(69%)
Net position	\$ 23,065,544	\$ 25,648,327	(10%)

Statement of Changes in Fiduciary Net Position

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

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

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position (Continued)

- Revenues (additions to the fiduciary net position) for the Plan were \$261,770, which was made up of employer and employee contributions of \$1,741,118 less net investment loss of \$1,489,322 and other income of \$9,974.
- Expenses (deductions from the fiduciary net position) decreased from \$3,306,297 during 2014 to \$2,844,553 in 2015.

	2015	2014	% Change
Total contributions	\$ 1,741,118	\$ 1,705,027	2%
Net investment (loss) income	(1,489,322)	2,836,305	(153%)
Other income	9,974	2,154	363%
Total additions	261,770	4,543,486	(94%)
Total deductions	2,844,553	3,306,297	(14%)
Net (decrease) increase	(2,582,783)	1,237,189	(309%)
Net position – beginning	25,648,327	23,057,908	11%
Prior period adjustment	-	1,353,230	(100%)
Net position – ending	\$ 23,065,544	\$ 25,648,327	(10%)

Asset Allocation

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2015:

Type of Investment	Investment policy	Actual Allocation
Domestic equities	25%-60%	57.00%
International equities	0%-20%	12.00%
Fixed income	25%-50%	27.00%
Cash and cash equivalents	0%-20%	4.00%

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

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

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Investment Activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended on June 2008.

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

Financial Analysis Summary

The investment activities, for the fiscal year ended September 30, 2015 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's Financial Management

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

City of Wilton Manors Pension Plan for General Employees and Police
2020 Wilton Drive, Wilton Manors, FL 33305

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

STATEMENTS OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 828,930	\$ 1,035,841
RECEIVABLES:		
Accrued investment income	44,580	60,015
Employer contributions receivable	-	2,846
Employee contribution receivable	2,395	-
DROP receivables	-	10,000
Accounts receivable - sale of investments	-	52,411
TOTAL RECEIVABLES	<u>46,975</u>	<u>125,272</u>
INVESTMENTS, AT FAIR VALUE:		
Common stocks	12,420,865	14,927,039
Government securities	5,536,203	5,311,555
Corporate bonds	685,196	778,397
Mutual funds	3,592,523	3,614,875
TOTAL INVESTMENTS, AT FAIR VALUE	<u>22,234,787</u>	<u>24,631,866</u>
TOTAL ASSETS	<u>23,110,692</u>	<u>25,792,979</u>
LIABILITIES		
ACCOUNTS PAYABLE	45,148	50,383
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	-	94,269
TOTAL LIABILITIES	<u>45,148</u>	<u>144,652</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR PENSIONS:		
Net position held in trust for DROP benefits	433,827	705,990
Net position held in trust for defined benefits	22,631,717	24,942,337
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 23,065,544</u>	<u>\$ 25,648,327</u>

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

**CITY OF WILTON MANORS PENSION PLAN
FOR GENERAL EMPLOYEES AND POLICE**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ADDITIONS:		
Contributions:		
Employer	\$ 1,676,869	\$ 1,645,738
Employee	<u>64,249</u>	<u>59,289</u>
Total contributions	<u>1,741,118</u>	<u>1,705,027</u>
Investment (loss) income:		
Net (depreciation) appreciation in fair value of investments	(1,990,892)	2,360,732
Interest and dividend income	<u>648,778</u>	<u>610,268</u>
Total investment (loss) income	(1,342,114)	2,971,000
Less: investment expenses	<u>147,208</u>	<u>134,695</u>
Net investment (loss) income	<u>(1,489,322)</u>	<u>2,836,305</u>
Other income	<u>9,974</u>	<u>2,154</u>
TOTAL ADDITIONS	<u>261,770</u>	<u>4,543,486</u>
DEDUCTIONS:		
Benefit payments	2,756,178	3,224,482
Administrative expenses	<u>88,375</u>	<u>81,815</u>
TOTAL DEDUCTIONS	<u>2,844,553</u>	<u>3,306,297</u>
NET (DECREASE) INCREASE IN NET POSITION	(2,582,783)	1,237,189
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	25,648,327	23,057,908
Prior period adjustment	<u>-</u>	<u>1,353,230</u>
End of year	<u>\$ 23,065,544</u>	<u>\$ 25,648,327</u>

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

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

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

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

Income Taxes

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

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Trustees believe it is no longer subject to income tax examinations for years prior to September 30, 2012.

Accounting Estimates

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

Accounting Principles

The Plan applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the City of Wilton Manors Pension Plan for General Employees and Police (Plan) provides only general information. Participants should refer to the City's ordinance for more complete information.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

The City of Wilton Manors, Florida Pension Plan for General Employees and Police (Plan) is a single-employer defined benefit plan established by the City of Wilton Manors, Florida (City or Employer) pursuant to the provisions and requirements of Section 13 of the City Code of Ordinances. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

Effective August 1, 2007, the Plan elected to participate in the Florida Retirement System (FRS) and closed the Plan to new participants hired on or after August 1, 2007.

Participants

Participants include general employees (excluding elected officials, persons appointed to fulfill elected positions and retained professionals and consultants for the City) and police officers employed by the City on a full-time basis.

Plan participation at September 30, 2015, consisted of the following:

Inactive Plan participants or beneficiaries currently receiving benefits	72
Active Plan participants	<u>10</u>
Total	<u>82</u>

Participant Contributions

Participant contributions are equal to 10% of basic compensation for police officers and 11% of basic compensation for general employees. Any participant terminating participation in the Plan with less than one year of credited service shall receive a return of contributions with no interest. A participant who has completed more than one, but less than five years of credit service, shall receive a return of contributions plus 3.0% of the gross amount. After completion of five years of credited service, the terminated participant will be entitled to a deferred vested benefit commencing on the participants normal retirement date, if living at such time.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

City and State Contributions

Pursuant to Florida Statutes, Chapters 185, contributions from the State of Florida Department of Insurance consist of an excise tax imposed by the City upon certain casualty insurance companies on the gross amount of receipts of premiums from policy holders on all premiums collected on casualty insurance policies covering property within the City. The allowable portion of the State contribution is used to reduce the City's contribution for Police when received. The City is expected to contribute such additional amounts as are necessary on an actuarial basis to fund the Plan's expenses, normal cost and to amortize the unfunded actuarial accrued liability.

At the present time, the State of Florida is withholding contributions payable to the Plan under Chapter 185, Florida Statutes. The State's contention is that the Plan must be severed into two independent retirement plans. This issue is unresolved as of the date of the financial statements.

Normal Retirement Benefits

The date upon which the participant completed twenty years of credited service regardless of age or the date upon which the participant attains age sixty with five years of credited service may retire on a normal retirement benefit.

Participants will receive a monthly Plan benefit equal to 3.0% of the average monthly compensation times the years of credit service.

Early retirement, disability, death and other benefits are also provided.

Deferred Retirement Option Plan

Participants who continue employment with the City past normal retirement date may freeze their accrued benefit and enter the Deferred Retirement Option Plan (DROP). Maximum participation in the DROP shall be six years (five years prior to August 1, 2007).

For participants electing participation in the DROP, an individual DROP account shall be created. Payment shall be made by the Plan into the participant's DROP account in an amount equal to the regular monthly retirement benefit which the participant would have received had the participant separated from service and commenced receipt of Plan benefits, plus interest. Interest shall be based on the actual earnings of the Plan for the preceding year.

Upon termination of employment, a participant may receive distribution from the DROP account as a lump sum or defer payment in accordance with the Internal Revenue Code.

A DROP participant shall not be entitled to receive a disability retirement for benefit purposes. If a participant shall die during participation in the DROP, the participant shall be treated as any other vested participant in the Plan that dies prior to retirement.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Post Retirement Supplement

Effective October 1, 2003, all employees retiring as a participant of this Plan shall be entitled to receive a monthly supplemental payment at the rate of \$10 for each year of credited service, which shall not exceed \$200 per month. This benefit shall commence on the first day of the month following separation from service, providing the participant is retired and receiving an early, normal or disability benefit. The post retirement supplement shall not be paid to terminated vested participants or to participants who retired prior to October 1, 2003.

Cost-of-Living Adjustment

Effective October 1, 2004, an Ordinance providing for a temporary cost-of-living adjustment (COLA) was created for participants of the police bargaining unit and non-sworn participants participating in the General Employees Plan. The COLA will apply to police personnel who are in the DROP plan prior to October 1, 2002. The annual COLA adjustment will be 3%. The provisions of this ordinance shall expire after September 30, 2005. Police officers with ten or more years of service as of October 1, 2006 will receive an annual 3% COLA, to begin six years after retirement.

Rate of return

For the year ended September 30, 2015, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was (5.90%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3. INVESTMENTS

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The investment policy statement was last amended on June 2008. The following was the Board's adopted asset allocation policy as of September 30, 2015:

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equities	25%-60%
International equities	0%-20%
Fixed income	25%-50%
Cash and cash equivalents	0%-20%

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 3. INVESTMENTS (Continued)

During the year ended September 30, 2015 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$1,990,892 (reported as net depreciation in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position) as follows:

Common stock	\$ (1,848,893)
Government securities	(11,423)
Mutual funds	(142,768)
Corporate bonds	<u>12,192</u>
Total	<u>\$ (1,990,892)</u>

The Plan's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan's investments in government securities, fixed income mutual funds and corporate bonds had maturities as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Corporate bonds	\$ 685,196	\$ -	\$ -	\$ 685,196	\$ -
U.S. agencies	1,943,305	204,534	262,770	1,334,558	141,443
U.S. treasuries	<u>3,592,898</u>	<u>-</u>	<u>-</u>	<u>3,592,898</u>	<u>-</u>
Totals	<u>\$ 6,221,399</u>	<u>\$ 204,534</u>	<u>\$ 262,770</u>	<u>\$ 5,612,652</u>	<u>\$ 141,443</u>

The fixed income portfolio must be comprised of securities rated within the top four grades by Moody's or Standard & Poor's ratings services. The Plan's corporate bonds were rated by Moody's Investors Services as follows:

<u>Rating</u>	<u>Fair Value</u>
A1	\$ 134,503
A3	321,278
Aa1	83,092
Aa2	68,148
Aa3	78,175
Aaa	3,764,611
Unrated	<u>1,771,592</u>
Total	<u>\$ 6,221,399</u>

The Plan limits investment in the securities of any one issuer, other than the U.S. Government and its agencies, to no more than 5% of net fiduciary position. The Plan had none at September 30, 2015.

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than US Dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan owns participation in international equity funds as well as individual securities.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

(Continued)

NOTE 3. INVESTMENTS (Continued)

The investment policy limits the foreign investments to no more than 20% of any manager's total Plan portfolio. As of year-end, the foreign investments were 12% of total investments; however all are self-directed investments.

NOTE 4. RISKS AND UNCERTAINTIES

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

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

NOTE 5. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the City at September 30, 2015 were as follows:

Total pension liability	\$ 37,934,752
Plan fiduciary net position	<u>23,065,544</u>
City's net pension liability	<u>\$ 14,869,208</u>

Plan fiduciary net position as a percentage of the total pension liability	60.80%
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The total pension liability was determined by an actuarial valuation as of September 30, 2015 using certain actuarial assumptions, the most significant of which were 7.0% for the investment rate of return, 5.5% for projected salary increases and 3.0% for inflation.

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Participant Table for Males or Females, as appropriate, with mortality improvement projected to all future years after 2000 using Scale AA.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 5. NET PENSION LIABILITY OF THE PLAN (Continued)

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2015 (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term expected real rate of return</u>
U.S. Large Cap Equity	8.25%
U.S. Small/Mid Cap Equity	8.75%
International Equity	8.50%
U.S. Intermediate Bond	4.00%
Inflation	2.75%

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan participant contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the participant rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the City was calculated using the discount rate of 7.0%. It was also calculated using a discount rate that was 1-percentage-point lower (6.0%) and 1-percentage-point higher (8.0%) and the different computations were compared.

	1% decrease	Current discount rate	1% increase
	<u>(6.0%)</u>	<u>(7.0%)</u>	<u>(8.0%)</u>
Net pension liability	\$ 19,213,599	\$ 14,869,208	\$ 11,267,170

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

(Continued)

NOTE 6. MANAGEMENT AGREEMENT

The Plan has an agreement with the City of Wilton Manors Firefighters Retirement System (System) to keep custody of and manage the assets of the System. The Plan is providing this service as an accommodation and does not incur any fiduciary obligation to the System separate and apart from the fiduciary responsibility of the professional custodian and money managers to the Plan.

NOTE 7. PRIOR PERIOD ADJUSTMENT

In accordance with GASB 67 the DROP balances have been reclassified from liabilities to be included in the total net position restricted for pensions. The reclassification had the effect of increasing net position restricted for pensions as of September 30, 2013 by \$1,353,230.

Additionally, activity in the DROP accounts, including withdrawals by participants and investment earnings are now reflected in the statement of changes in fiduciary net position.

NOTE 8. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through March 24, 2016, the date that the financial statements were available to be issued.

**CITY OF WILTON MANORS PENSION PLAN
FOR GENERAL EMPLOYEES AND POLICE**

SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

**CITY OF WILTON MANORS PENSION PLAN
FOR GENERAL EMPLOYEES AND POLICE**

SCHEDULES OF ADMINISTRATIVE EXPENSES

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ADMINISTRATIVE EXPENSES:		
Accounting	\$ 13,828	\$ 18,252
Actuarial fees	24,300	28,229
Administrative fees	1,497	785
Insurance	7,433	7,530
Legal	11,650	8,018
Trustee expense	27,660	19,001
Miscellaneous	<u>2,007</u>	<u>-</u>
TOTAL ADMINSTRATIVE EXPENSES	<u>\$ 88,375</u>	<u>\$ 81,815</u>

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

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS

AS OF SEPTEMBER 30, 2015

(UNAUDITED)

	<u>2015</u>	<u>2014</u>
Actuarilly determined employer contribution	\$ 1,674,023	\$ 1,645,738
Actual employer contribution	<u>1,676,869</u>	<u>1,645,738</u>
Annual contribution deficiency (excess)	<u>\$ (2,846)</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 974,220</u>	<u>\$ 937,125</u>
Actual contributions as a percentage of covered-employee payroll	172.12%	175.62%

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	5 year smoothed market
Inflation:	3.00%
Salary increases	5.50%
Investment rate of return	7.00%
Mortality	RP-2000 Combined Health Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA

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

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

AS OF SEPTEMBER 30, 2015

<u>Year Ended</u> <u>September 30</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2015	(5.90%)
2014	11.96%
2013	9.69%
2012	17.89%
2011	(1.12%)
2010	8.05%
2009	0.95%
2008	(13.55%)
2007	12.54%
2006	5.72%
2005	9.21%

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

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

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

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:		
Service Cost	\$ 129,615	\$ 112,087
Interest	2,571,868	2,578,844
Difference between actual and expected experience	60,844	54,908
Assumption Changes	2,522,504	-
Benefit Payments	<u>(2,756,178)</u>	<u>(3,224,482)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,528,653	(478,643)
TOTAL PENSION LIABILITY - BEGINNING	<u>35,406,099</u>	<u>35,884,742</u>
TOTAL PENSION LIABILITY - ENDING	<u>37,934,752</u>	<u>35,406,099</u>
 PLAN FIDUCIARY NET POSITION:		
Contributions - Employer and State	1,676,869	1,645,738
Contributions - Member	64,249	59,289
Net investment (loss) income	(1,489,322)	2,836,305
Benefit Payments	(2,756,178)	(3,224,482)
Administrative expenses	(88,375)	(81,815)
Other	<u>9,974</u>	<u>2,154</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(2,582,783)	1,237,189
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>25,648,327</u>	<u>24,411,138</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>23,065,544</u>	<u>25,648,327</u>
 NET PENSION LIABILITY - ENDING	<u>\$ 14,869,208</u>	<u>\$ 9,757,772</u>
 PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	60.80%	72.44%
 COVERED EMPLOYEE PAYROLL	\$ 974,220	\$ 937,125
 NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	1526.27%	1041.25%

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

**CITY OF WILTON MANORS PENSION PLAN
FOR GENERAL EMPLOYEES AND POLICE**

COMPLIANCE REPORT

SEPTEMBER 30, 2015

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

Board of Trustees
City of Wilton Manors Pension Plan for General Employees and Police
Wilton Manors, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the City of Wilton Manors Pension Plan for General Employees and Police (Plan), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated March 24, 2016.

Internal Control over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Weston, Florida
March 24, 2016