

**CITY OF WILTON MANORS PENSION PLAN
FOR GENERAL EMPLOYEES AND POLICE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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INDEPENDENT AUDITORS' 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 **City of Wilton Manors Pension Plan for General Employees and Police** ("Plan") which are comprised of the statement of fiduciary net position as of September 30, 2014, 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

Plan 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 **City of Wilton Manors Pension Plan for General Employees and Police** as of September 30, 2014, and the changes in its fiduciary net position for the year 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 be presented to supplement the basic financial statements. Additionally, supplemental schedules of funding progress and schedule of contributions from the employer and other contributors, which show historical pension information, are presented. 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 investment returns or the schedule of changes in the employer's net pension liability and related ratios or the schedule of contributions from the employer and other contributors because the limited procedures we performed did not provide us with sufficient evidence to express an opinion or provide any assurance on them.



S I Gordon & Company, PA

March 2, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management Discussion and Analysis (MD&A) of the City of Wilton Manors Pension Plan for General Employees and Police's ("Plan") financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2014. Please read it in conjunction with the Plan's financial statements, which immediately follow.

Financial highlights

The Plan's net results from operations for fiscal year 2014 reflected the following financial activities:

- Total fiduciary net position was \$25,648,327 , which was 11% greater than 2013 total fiduciary net position.
- Total contributions were \$1,705,027, which was 2% greater than the 2013 contributions.
- Total interest and dividend earnings were \$610,268, which was 13% lower than the 2013 earnings.
- Net investment income was \$2,836,305, which was 35% greater than the 2013 income.
- Total pension benefit payments were \$3,224,482, which was 31% greater than 2013.

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 supplemental information.

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

The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the 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 they have changed. A fiduciary net position is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan.

The Plan was established by the City of Wilton Manors, Florida (the "City" or "Employer") pursuant to the provisions and requirements of Section 13 of the City of Wilton Manors Code of Ordinances. Effective August 1, 2007, the Plan elected to participate in the Florida Retirement System (FRS) and closed the Plan to new members hired on or after August 1, 2007.

Employer and employee contributions for the year were \$1,705,027 combined, which was 2% greater than the 2013 contributions. The amount of employer contributions varies from year to year and is actuarially determined.

Statement of Fiduciary Net Position

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

The Plan continues to be actuarially sound as determined by the actuary of the Plan. It is important to remember that retirement system funding is based on a long-term perspective and that temporary ups and downs in the market are to be expected.

- Fiduciary net position at September 30, 2014 was \$25,648,327, a 11% increase from fiduciary net position at September 30, 2013.
- Total investments at September 30, 2014 were \$24,631,866, a 1% increase from the assets at September 30, 2013.

	2014	2013	% Change
Cash and cash equivalents	\$ 1,035,841	\$ 1,106,589	(6)%
Receivables	125,272	81,228	54
Investments, at fair value	24,631,866	24,448,442	1
Assets allocated to Firefighters Retirement System	-	(1,187,847)	(100)
Total assets	25,792,979	24,448,412	5
Total liabilities	144,652	1,390,504	(90)
Net position	\$ 25,648,327	\$ 23,057,908	11

Statement of Changes in Fiduciary Net Position

The statement of changes in fiduciary net position presents the effect of pension plan transactions that occurred during the fiscal year. On the statement, additions to the plan minus deductions from the plan equal net increase or decrease in fiduciary net position.

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

- Revenues (additions to the fiduciary net position) for the Plan were \$4,543,486 which was made up of employer and employee contributions of \$1,705,027 plus a net investment income of \$2,836,305 and miscellaneous income of \$2,154.
- Expenses (deductions from the fiduciary net position) increased from \$2,540,025 during 2013 to \$3,306,297 in 2014.

	2014	2013	% Change
Total contributions	\$ 1,705,027	\$ 1,668,406	2%
Net investment income	2,836,305	2,103,929	35
Miscellaneous income	2,154	-	100
Total additions	4,543,486	3,772,335	20
Total deductions	3,306,297	2,540,025	30
Net increase	1,237,189	1,232,310	0
Net position – beginning	23,057,908	21,825,598	6
Prior period adjustment	1,353,230	-	100
Net position – ending	25,648,327	23,057,908	11

Asset allocation

The table below indicates the Plan investment policy target and actual asset allocations as of September 30, 2014:

Type of Investment	Investment policy	Actual allocation
Fixed income	25-50%	24%
International Equity	0-20%	12%
Domestic Equities	25-60%	60%
Cash and cash equivalents	0-20%	4%

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

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

Investment activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Trustees have a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board of Trustees 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, 2014 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's financial management

This financial analysis is designed to provide the Board of Trustees, plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the City of 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
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014**

ASSETS

	2014
Receivables:	
Due for securities sold	\$ 52,411
Accrued interest and dividends	60,015
Employer contributions	2,846
DROP receivables	10,000
Total receivables	125,272
Cash and cash equivalents	1,035,841
Investments, at fair value <i>(Notes 1 and 4)</i>	
Common Stock	14,927,039
Government Securities	5,311,555
Corporate Bonds	778,397
Equity Mutual Funds	3,079,544
International Equity Funds	535,331
Total investments	24,631,866
Total assets	\$ 25,792,979

LIABILITIES

Accounts payable	\$ 50,383
Due for securities purchased	94,269
Total liabilities	\$ 144,652

NET POSITION RESTRICTED FOR PENSIONS

Net position restricted for DROP benefits	\$ 705,990
Net position restricted for defined benefits	24,942,337
Net position restricted for pensions	\$ 25,648,327

READ THE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF WILTON MANORS PENSION PLAN
FOR GENERAL EMPLOYEES AND POLICE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	2014
Additions:	
Contributions:	
Employer	\$ 1,645,738
Employees	59,289
Total contributions	<u>1,705,027</u>
Investment income	
Net appreciation in fair value of investments	2,360,732
Interest and dividend income	610,268
Total investment income	<u>2,971,000</u>
Less: Investment expenses	134,695
Net investment income	<u>2,836,305</u>
Miscellaneous income	2,154
Total additions	<u>4,543,486</u>
Deductions:	
Benefits paid to or for retirees	3,224,482
Administrative expenses (<i>Schedule</i>)	81,815
Total deductions	<u>3,306,297</u>
Net increase in net position	1,237,189
Net position restricted for pensions:	
Beginning of year	23,057,908
Prior period adjustment (<i>See Note 7</i>)	1,353,230
End of year	<u>\$ 25,648,327</u>

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON MANORS PENSION PLAN
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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

• **Concentration of credit risk -**

Financial instruments that potentially expose the Plan to concentrations of credit risk, as defined by FASB Codification 825-10-50-20, consist primarily of cash and cash equivalents, marketable securities and employer contributions receivable and related income. The Plan invests in marketable securities which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual debt security.

• **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 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 Plan administrator believes it is no longer subject to income tax examination for years prior to 9/30/11.

• **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.

• **Investment valuation and income recognition -**

Investments are reported at fair value (see Note 4). 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.

Purchases 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 appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

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FOR GENERAL EMPLOYEES AND POLICE
NOTES TO FINANCIAL STATEMENTS
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(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.

• **General –**

The City of Wilton Manors, Florida Pension Plan for General Employees and Police (the "Plan") is a single-employer defined benefit plan established by the City of Wilton Manors, Florida (the "City" or "Employer") pursuant to the provisions and requirements of Section 13 of the City of Wilton Manors 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 members hired on or after August 1, 2007.

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the plan agreement for more detailed and comprehensive information.

• **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 of Wilton Manors, Florida on a full-time basis.

Plan membership. At September 30, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	69
Active Plan members	<u>10</u>
	<u>79</u>

• **Funding**

Member Contributions:

Member contributions are equal to 10% of basic compensation for police officers and 11% of basic compensation for general employees. Any member terminating membership in the Plan with less than one year of credited service shall receive a return of contributions with no interest. A member 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

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(2) DESCRIPTION OF THE PLAN (CONTINUED):

• **Funding (continued)**

terminated member will be entitled to a deferred vested benefit commencing on his or her normal retirement date, if living at such time.

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.

• **Benefits -**

Normal Retirement:

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

Members will receive a monthly pension 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:

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

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(2) DESCRIPTION OF THE PLAN (CONTINUED):

• **Benefits (continued) -**

Deferred Retirement Option Plan - continued:

Upon termination of employment, a member 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 pension purposes. If a member shall die during participation in the DROP, the member shall be treated as any other vested member in the Plan that dies prior to retirement.

Post Retirement Supplement:

Effective October 1, 2003, all employees retiring as members of this Plan shall be entitled to receive a monthly supplemental payment at the rate of ten dollars for each year of credited service, which shall not exceed two hundred dollars per month. This benefit shall commence on the first day of the month following separation from service, providing the member is retired and receiving an early, normal or disability pension. The post retirement supplement shall not be paid to terminated vested members or to members 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 members of the police bargaining unit and non-sworn members 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, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(3) NET PENSION LIABILITY OF THE FUND

The components of the net pension liability of the Plan at September 30, 2014,

Total pension liability	\$35,406,099
Plan fiduciary net position	<u>25,648,327</u>
City's net pension liability	<u>\$ 9,757,772</u>

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(3) NET PENSION LIABILITY OF THE FUND (CONTINUED):

Plan fiduciary net position as a percentage of the total pension liability 72.44%

The total pension liability was determined by an actuarial valuation as of October 1, 2013 with a measurement date of September 30, 2014, using the following most significant actuarial assumptions; 7.5% for the investment rate of return and 3.0% for inflation.

The mortality table used for this valuation was the RP2000 Combined Healthy Participant Mortality Table Projected to 2005 for males and females (sex distinct tables), set forward five years for impaired mortality.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset class</u>	<u>Long –term expected real rate of return</u>
US Large Cap Equity	8.5%
US Small Cap Equity	9.0%
International Equity	8.75%
US Intermediate Bond	4.25%
Inflation	3.0%

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County 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.

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(3) NET PENSION LIABILITY OF THE FUND (CONTINUED):

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the Plan was calculated using the discount rate of 7.5 percent. It was also calculated using a discount rate that was 1-percentage-point lower (6.5 percent) and 1-percentage-point higher (8.5) percent and the different computations were compared.

	<u>1% decrease (6.5%)</u>	<u>Current discount rate (7.5%)</u>	<u>1% increase (8.5%)</u>
Net pension liability	\$ 13,600,633	\$9,757,772	\$6,551,779

(4) INVESTMENTS:

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The investment policy statement was last amended on June 2008. The following was the Board's adopted asset allocation policy as of September 30, 2014:

Type of Investment	Investment policy
Fixed income	25-50%
International Equity	0-20%
Domestic Equities	25-60%
Cash and cash equivalents	0-20%

During the year ended September 30, 2014 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$2,360,732 as follows:

<u>2014</u>	
Common Stock	\$1,972,850
Equity Mutual Funds	360,800
Corporate Bonds	81,266
Government Securities	<u>(54,184)</u>
Total	<u>\$2,360,732</u>

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(4) INVESTMENTS (CONTINUED):

The Board of Trustees determines the Plan’s investment policy. The policy has been designed by the Board to maximize the Plan’s asset value, while assuming a risk that is consistent with the Board’s risk tolerance. As is prudent, the Board has adopted a policy to diversify investment risk among several institutionally acceptable asset classes including equity securities, bonds and other corporate obligations.

Investment in all equity securities is limited to those listed on a major US stock exchange and limited to no more than 60% of the Plan’s total asset value with no more than 5% of an investment manager’s equity portfolio invested in the shares of a single corporate issuer. Investment in stocks of foreign companies is limited to 20% of the value of the equity portfolio. The fixed income portfolio shall be comprised of securities rated “A” or higher by Moody’s or Standard and Poor’s rating services with no more than 5% of an investment manager’s total fixed income portfolio invested in the securities of any single corporate issuer except for US Treasury and agency obligations.

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

Information as to the maturities of the Fund’s fixed income portfolio is as follows:

2014 Investment maturities (in years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 -10</u>	<u>10 +</u>
Corporate bonds	\$ 778,397	\$ -	\$102,030	\$ 676,367	\$ -
US Gov’t Treasury	2,341,052	-	455,684	1,885,368	-
US Gov’t Agency	<u>2,970,503</u>	<u>-</u>	<u>645,852</u>	<u>1,519,609</u>	<u>805,042</u>
Total	<u>\$6,089,952</u>	<u>\$ -</u>	<u>\$1,203,566</u>	<u>\$4,081,344</u>	<u>\$805,042</u>

The term “credit risk” is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Plan’s investment policy utilizes portfolio diversification in order to control this risk. Included in the AAA rating below are non rated Government holdings.

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(4) INVESTMENTS (CONTINUED):

<u>Rating</u>	<u>Fair Value</u>
A1	\$ 62,679
A2	195,310
A3	476,599
Aa1	71,838
Aa2	109,212
Aa3	58,070
Aaa	2,791,594
Unrated	<u>2,324,650</u>
Total	<u>\$6,089,952</u>

“Concentration of credit risk” is the risk inherent in concentrating too high a portion of the portfolio in the securities of any one issuer or type of investments. The Plan limits such investments as described earlier in this footnote. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2014.

“Foreign currency risk” is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than US Dollars as well as the carrying value of foreign investments. The Plan’s exposure to foreign currency risk derives mainly from its investments in international equity funds and American Depository Receipts.

American Depository Receipts (ADRs) are non-U.S. equity that are issued in U.S. dollars and have no foreign currency risk, and therefore are not included above. The total foreign investments in ADR’s are \$2,625,184. Additionally, the international funds that the Plan invests in have a combined amount of \$535,331 in cash that is included as part of the international holdings. The investment policy limits the foreign investments to no more than 20% of the Plan’s investment balance. As of year-end, the foreign investments were 12% of total investments.

(5) RISKS AND UNCERTAINTIES:

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

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

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FOR GENERAL EMPLOYEES AND POLICE
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2014**

(6) SUBSEQUENT EVENTS:

The Plan has evaluated subsequent events through March 2, 2015, the date the financial statements were available to be issued.

(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.

(8) MANAGEMENT AGREEMENT:

The Plan has an agreement with the City of Wilton Manors Firefighters Retirement System (the "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.

**CITY OF WILTON MANORS PENSION PLAN
FOR GENERAL EMPLOYEES AND POLICE
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	2014
Accounting	\$18,252
Actuarial fees	28,229
Administrative fees	785
Insurance	7,530
Legal	8,018
Miscellaneous	-
Trustee expense	<u>19,001</u>
Total expenses	<u>\$81,815</u>

READ THE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF WILTON MANORS PENSION PLAN
FOR GENERAL EMPLOYEES AND POLICE
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS
FROM EMPLOYER AND OTHER CONTRIBUTORS
AS OF OCTOBER 1, 2013
(UNAUDITED)**

Year Ended September 30	Annual determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered employee payroll
2013	\$1,606,783	\$1,606,783	\$ -	\$622,190	258%
2012	1,518,314	1,518,314	-	849,026	179
2011	1,338,012	1,338,012	-	919,415	146
2010	1,211,419	1,211,419	-	1,121,175	108
2009	1,263,599	1,263,599	-	1,570,672	80
2008	1,229,891	1,229,891	-	2,355,661	52
2007	1,081,629	1,081,629	-	4,882,290	22
2006	799,497	799,497	-	4,497,194	18

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5%
Salary increases	N/A
Investment rate of return	8.0%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP2000 Combined Healthy Participant Mortality Table Projected to 2005 for males and females (sex distinct tables), set forward five years for impaired mortality.

**CITY OF WILTON MANORS PENSION PLAN
FOR GENERAL EMPLOYEES AND POLICE
SCHEDULE OF INVESTMENT RETURNS
AS OF SEPTEMBER 30, 2014
(UNAUDITED)**

Year Ended September 30	Annual money- weighted rate of return net of investment expense
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

**CITY OF WILTON MANORS PENSION PLAN
FOR GENERAL EMPLOYEES AND POLICE
SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	2014
Total pension liability:	
Service Cost	\$ 112,087
Interest	2,578,844
Benefit Changes	-
Difference between actual & expected experience	54,908
Assumption Changes	-
Benefit Payments	(3,224,482)
Refunds	-
Net Change in Total Pension Liability	<u>(478,643)</u>
Total Pension Liability - Beginning	35,884,742
Total Pension Liability - Ending	<u>\$ 35,406,099</u>
Plan Fiduciary Net Position	
Contributions - Employer and State	\$ 1,645,738
Contributions- Member	59,289
Net investment income	2,836,305
Benefit Payments	(3,224,482)
Refunds	-
Administrative expenses (Supplemental Schedule)	(81,815)
Other	2,154
Net Change in Fiduciary Net Position	<u>1,237,189</u>
Plan Fiduciary Net Position - Beginning	24,411,138
Plan Fiduciary Net Position - Ending	<u>\$ 25,648,327</u>
Net Pension Liability - Ending	9,757,772
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72%
Covered Employee Payroll	\$ 554,092
Net Pension Liability as a Percentage of Covered Employee Payroll	1761%

S I Gordon & Company, PA

Certified Public Accountants

American Institute of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

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

The Board of Trustees

City of Wilton Manors Pension Plan for General Employees and Police

Wilton Manors, Florida

We have audited the financial statements of **City of Wilton Manors Pension Plan for General Employees and Police**, as of and for the year ended September 30, 2014, and have issued our report thereon dated March 2, 2015. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **City of Wilton Manors Pension Plan for General Employees and Police** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **City of Wilton Manors Pension Plan for General Employees and Police** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over financial reporting and its operation that we consider to be material weakness.

A handwritten signature in black ink that reads "S I Gordon & Company". The signature is written in a cursive, flowing style.

S I Gordon & Company, PA
March 2, 2015