

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

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

YEAR ENDED SEPTEMBER 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
City of Wilton Manors Pension Plan for General Employees and Police

We have audited the accompanying financial statements of the City of Wilton Manors Pension Plan for General Employees and Police, which comprise the statement of fiduciary net position as of September 30, 2016, 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.

Auditor's 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Wilton Manors Pension Plan for General Employees and Police as of September 30, 2016, 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.

KABAT · SCHERTZER
DE LA TORRE · TARABOULOS
&
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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Prior Year Comparative Information

We have previously audited the City of Wilton Manors Pension Plan for General Employees and Police's 2015 financial statements, and our report dated March 24, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-7 and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 21-23 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2017 on our consideration of the City of Wilton Manors Pension Plan for General Employees and Police's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Wilton Manors Pension Plan for General Employees and Police's internal control over financial reporting and compliance.

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

Weston, Florida
February 13, 2017

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's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2016. Please read it in conjunction with the Plan's financial statements, which immediately follow.

General Overview of the Plan

The Plan was established by the City of Wilton Manors, Florida (the City) pursuant to the provisions and requirements of Section 13 of the City Code of Ordinance. 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.

There is a Board of Trustees (the Board) in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: the 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 2016 reflected the following financial activities:

- Total fiduciary net position was \$23,683,755, which was 3% greater than 2015 total fiduciary net position. This was primarily due to improved market conditions in 2016 compared to 2015.
- Total contributions were \$1,702,141, which was 2% lower than the 2015 contributions. The total required City contribution determined by the actuary decreased from \$1,674,023 in 2015 to \$1,638,492 in 2016.
- Total interest and dividend earnings were \$403,989, which was 38% lower than the 2015 earnings. All common stock was sold and equity mutual funds were purchased, which decreased dividend revenue.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Highlights (Continued)

- Net investment income was \$1,717,354, which was 215% greater than the 2015 loss.
- Benefits paid were \$2,706,165, which was 2% lower than the benefits paid during 2015. \$235,018 in DROP distributions were rollovers and total members decreased from 82 in 2015 to 80 in 2016.

Employer and employee contributions for the year were \$1,702,141, which was 2% lower than the 2015 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.

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, 2016 was \$23,683,755, a 3% increase from fiduciary net position at September 30, 2015.
- Total investments at September 30, 2016 were \$23,712,121, a 3% increase from the investments at September 30, 2015. The increase in investment income allowed additional reinvestments into investments compared to 2015.

	2016	2015	% Change
Receivables	\$ 26,905	\$ 46,975	(43%)
Investments, at fair value	23,712,121	23,063,717	3%
Total assets	23,739,026	23,110,692	3%
Accounts payable	19,740	45,148	(56%)
Deferred revenue	35,531	-	100%
Total liabilities	55,271	45,148	22%
Net position restricted for pensions	\$ 23,683,755	\$ 23,065,544	3%

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 \$3,419,495, which was made up of employer and employee contributions of \$1,702,141 plus net investment income of \$1,717,354.
- Expenses (deductions from the fiduciary net position) decreased from \$2,844,553 during 2015 to \$2,801,284 during 2016. Decrease was primarily due to decrease in DROP fund distributions of \$154,982 offset by an increase in benefit payments of \$104,969.

	2016	2015	% Change
Total contributions	\$ 1,702,141	\$ 1,741,118	(2%)
Net investment income (loss)	1,717,354	(1,489,322)	215%
Other income	-	9,974	(100%)
Total additions	3,419,495	261,770	1,206%
Total deductions	2,801,284	2,844,553	(2%)
Net increase (decrease)	618,211	(2,582,783)	124%
Net position restricted for pensions - beginning	23,065,544	25,648,327	(10%)
Net position restricted for pensions - ending	\$ 23,683,755	\$ 23,065,544	3%

Asset Allocation

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

Type of Investment	Investment policy	Actual Allocation
Domestic equities	25%-60%	60%
International equities	0%-20%	0%
Fixed income	25%-50%	33%
Cash and cash equivalents	0%-20%	7%

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.

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 during 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, 2016 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's Financial Management

This financial analysis is designed to provide the Board, 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, 2016
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
RECEIVABLES:		
Accrued investment income	\$ 26,905	\$ 44,580
Employee contribution receivable	-	2,395
TOTAL RECEIVABLES	<u>26,905</u>	<u>46,975</u>
INVESTMENTS, AT FAIR VALUE:		
Equity securities	14,313,050	16,013,388
Government securities	5,725,916	5,536,203
Corporate bonds	2,034,745	685,196
Money market funds	1,638,410	828,930
TOTAL INVESTMENTS, AT FAIR VALUE	<u>23,712,121</u>	<u>23,063,717</u>
TOTAL ASSETS	<u>23,739,026</u>	<u>23,110,692</u>
LIABILITIES		
ACCOUNTS PAYABLE	19,740	45,148
DEFERRED REVENUE	<u>35,531</u>	<u>-</u>
TOTAL LIABILITIES	<u>55,271</u>	<u>45,148</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR PENSIONS:		
Net position held in trust for defined benefits	23,412,530	22,631,717
Net position held in trust for DROP benefits	271,225	433,827
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 23,683,755</u>	<u>\$ 23,065,544</u>

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

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)

	<u>2016</u>	<u>2015</u>
ADDITIONS:		
Contributions:		
Employer	\$ 1,638,492	\$ 1,676,869
Employee	<u>63,649</u>	<u>64,249</u>
Total contributions	<u>1,702,141</u>	<u>1,741,118</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	1,411,574	(1,990,892)
Interest and dividend income	<u>403,989</u>	<u>648,778</u>
Total investment income (loss)	1,815,563	(1,342,114)
Less: investment expenses	<u>98,209</u>	<u>147,208</u>
Net investment income (loss)	<u>1,717,354</u>	<u>(1,489,322)</u>
Other income	<u>-</u>	<u>9,974</u>
TOTAL ADDITIONS	<u>3,419,495</u>	<u>261,770</u>
DEDUCTIONS:		
Benefit payments	2,471,147	2,366,178
DROP distributions	235,018	390,000
Administrative expenses	<u>95,119</u>	<u>88,375</u>
TOTAL DEDUCTIONS	<u>2,801,284</u>	<u>2,844,553</u>
NET INCREASE (DECREASE) IN NET POSITION		
RESTRICTED FOR PENSIONS	618,211	(2,582,783)
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING		
	<u>23,065,544</u>	<u>25,648,327</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING		
	<u>\$ 23,683,755</u>	<u>\$ 23,065,544</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 FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

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

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

Basis of Accounting and Use of Estimates

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

Reclassification

Certain amounts in the prior year comparative totals have been reclassified in order to be comparable with the current year presentation.

NOTE 2. DESCRIPTION OF THE PLAN

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

General

The City of Wilton Manors 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) 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.

The Plan is administered by a board of five trustees, comprised of two legal residents of the City and appointed by the City Commission; one police officer elected by a majority of active police officers of the City; one general employee elected by a majority of active general employees of the City and the fifth member shall be elected by a majority of the prior four members.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

General

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.

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

Inactive Plan participants or beneficiaries currently receiving benefits	70
Active Plan participants	<u>10</u>
	<u>80</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 participant's 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.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

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.

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.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

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, 2016, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 4.41%. 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, 2016:

<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%

During the year ended September 30, 2016 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$1,411,574 (reported as net appreciation in fair value of investments in the accompanying Statement of Changes in Fiduciary Net Position) as follows:

Common stocks	\$ 701,551
Government securities	23,159
Mutual funds	667,911
Corporate bonds	<u>18,953</u>
Total	<u><u>\$ 1,411,574</u></u>

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016
(Continued)

NOTE 3. INVESTMENTS (Continued)

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

The Plan’s investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan’s investments in fixed income securities 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>
U.S. agencies	\$ 4,802,374	\$ 945,684	\$ 1,832,300	\$ 1,241,250	\$ 783,140
U.S. treasuries	923,542	-	-	923,542	-
Corporate bonds	2,034,745	-	80,611	1,646,635	307,499
Totals	<u>\$ 7,760,661</u>	<u>\$ 945,684</u>	<u>\$ 1,912,911</u>	<u>\$ 3,811,427</u>	<u>\$ 1,090,639</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 fixed income portfolio was rated by Moody’s Investors Services as follows:

<u>Rating</u>	<u>Fair Value</u>
A1	\$ 95,575
A2	80,611
A3	1,223,729
Aa1	245,123
Aa2	307,499
Aa3	82,208
Aaa	3,389,184
Unrated	2,336,732
Total	<u>\$ 7,760,661</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 no such investments at September 30, 2016.

“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. The investment policy limits the foreign investments to no more than 20% of the Plan’s investment balance. The Plan had no such investments at September 30, 2016.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan categorizes its fair value measurements within the fair value hierarchy as established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market as follows:

Level 1- Inputs to the valuation methodology are based upon quoted prices for identical assets in active markets.

Level 2- Inputs to the valuation methodology are based upon observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3- Inputs to the valuation methodology are based upon unobservable inputs.

Following is a description of the valuation methodologies used for asset measured at fair value.

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

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

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

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

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

	<u>Total</u>	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
<u>Investments by fair value level</u>				
Equity securities:				
Mutual funds	\$ 14,313,050	\$ 14,313,050	\$ -	\$ -
Total equity securities	<u>14,313,050</u>	<u>14,313,050</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. treasury securities	923,542	923,542	-	-
U.S. agency securities	4,802,374	-	4,802,374	-
Corporate bonds	2,034,745	-	2,034,745	-
Total debt securities	<u>7,760,661</u>	<u>923,542</u>	<u>6,837,119</u>	<u>-</u>
Total investments by fair value level	22,073,711	<u>\$ 15,236,592</u>	<u>\$ 6,837,119</u>	<u>\$ -</u>
Money market funds (exempt) ^(a)	<u>1,638,410</u>			
Total investments	<u>\$ 23,712,121</u>			

(a) As required by GAAP, certain investments have not been classified in the fair value hierarchy. The fair value amounts presented in the table above were intended to permit reconciliation of the fair value hierarchy to the total investment line item in the Statement of Fiduciary Net Position.

NOTE 5. RISKS AND UNCERTAINTIES

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

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

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

(Continued)

NOTE 6. NET PENSION LIABILITY OF THE PLAN

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

Total pension liability	\$ 37,555,452
Plan fiduciary net position	<u>23,683,755</u>
City's net pension liability	<u>\$ 13,871,697</u>
Plan fiduciary net position as a percentage of the total pension liability	63.06%

The total pension liability was determined by an actuarial valuation as of September 30, 2016 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.

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, 2016 (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	7.50%
U.S. Small/Mid Cap Equity	8.00%
International Equity	7.50%
U.S. Aggregate Bond	3.75%
U.S. Direct Equity	7.50%
Absolute Return	5.50%
Global Infrastructure	6.25%

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.

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016
(Continued)

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

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	\$ 18,122,901	\$ 13,871,697	\$ 10,389,689

NOTE 7. MANAGEMENT AGREEMENT

The Plan has an agreement with the City of Wilton Manors Volunteer 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.

NOTE 8. INCOME TAXES

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

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 than 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.

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

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)

	<u>2016</u>	<u>2015</u>
ADMINISTRATIVE EXPENSES:		
Accounting	\$ 17,178	\$ 13,828
Actuarial fees	34,276	24,300
Administrative fees	1,326	1,497
Insurance	7,433	7,433
Legal	10,300	11,650
Trustee expense	24,606	27,660
Miscellaneous	-	2,007
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 95,119</u>	<u>\$ 88,375</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

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 1,638,492	\$ 1,674,023	\$ 1,645,738
Actual employer contribution	<u>1,638,492</u>	<u>1,676,869</u>	<u>1,645,738</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (2,846)</u>	<u>\$ -</u>
Covered-employee payroll *	<u>\$ 595,805</u>	<u>\$ 600,852</u>	<u>\$ 937,125</u>
Actual contributions as a percentage of covered-employee payroll	275.00%	279.08%	175.62%

* Covered-employee payroll for year ended September 30, 2016 has been estimated from the actual member contributions to the Plan for the same period.

Actuarial cost method	Entry age normal
Amortization method	Level Dollar, Closed
Remaining amortization period	15 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 setforward five years for impaired mortality, and with mortality improvement projected to all future years after 2000 using Scale AA.

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

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)

Year Ended <u>September 30</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2016	4.41%
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%

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

CITY OF WILTON MANORS PENSION PLAN FOR GENERAL EMPLOYEES AND POLICE

SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:			
Service cost	\$ 141,736	\$ 129,615	\$ 112,087
Interest	2,545,418	2,571,868	2,578,844
Difference between actual and expected experience	(360,289)	60,844	54,908
Assumption changes	-	2,522,504	-
Benefit payments	<u>(2,706,165)</u>	<u>(2,756,178)</u>	<u>(3,224,482)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	(379,300)	2,528,653	(478,643)
TOTAL PENSION LIABILITY - BEGINNING	<u>37,934,752</u>	<u>35,406,099</u>	<u>35,884,742</u>
TOTAL PENSION LIABILITY - ENDING	<u>37,555,452</u>	<u>37,934,752</u>	<u>35,406,099</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - Employer and State	1,638,492	1,676,869	1,645,738
Contributions - Member	63,650	64,249	59,289
Net investment (loss) income	1,717,354	(1,489,322)	2,836,305
Benefit payments	(2,706,165)	(2,756,178)	(3,224,482)
Administrative expenses	(95,119)	(88,375)	(81,815)
Other	<u>(1)</u>	<u>9,974</u>	<u>2,154</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	618,211	(2,582,783)	1,237,189
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>23,065,544</u>	<u>25,648,327</u>	<u>24,411,138</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>23,683,755</u>	<u>23,065,544</u>	<u>25,648,327</u>
NET PENSION LIABILITY - ENDING	<u>\$ 13,871,697</u>	<u>\$ 14,869,208</u>	<u>\$ 9,757,772</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	63.06%	60.80%	72.44%
COVERED EMPLOYEE PAYROLL*	\$ 595,805	\$ 600,852	\$ 937,125
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	2328.23%	2474.69%	1041.25%

* Covered-employee payroll for year ended September 30, 2016 has been estimated from the actual member contributions to the Plan for the same period.

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

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, 2016

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

To the Board of Trustees of the
City of Wilton Manors Pension Plan for General Employees and Police

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, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Wilton Manors Pension Plan for General Employees and Police's basic financial statements, and have issued our report thereon dated February 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wilton Manors Pension Plan for General Employees and Police'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 City of Wilton Manors Pension Plan for General Employees and Police's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wilton Manors Pension Plan for General Employees and Police'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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wilton Manors Pension Plan for General Employees and Police'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 City of Wilton Manors Pension Plan for General Employees and Police'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 City of Wilton Manors Pension Plan for General Employees and Police's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Weston, Florida
February 13, 2017