

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Plan Administrator
Clair T. Singerman Employees' Retirement System
North Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Clair T. Singerman Employees' Retirement System (the Plan), which comprise the statement of fiduciary net position as of September 30, 2014, and the related statement of changes in fiduciary net position for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 respective financial position of the Plan, as of September 30, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Comparative Information

We have previously audited the Clair T. Singerman Employees' Retirement System's 2013 financial statements, and our report dated April 22, 2014, expressed an unmodified opinion on those financial statements. In our opinion, the comparative information presented herein as of and for the fiscal year ended September 30, 2013, 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 the management's discussion and analysis, schedule of changes in the city's net pension liability and related ratios, schedule of city contributions and schedule of investment returns on pages 4 to 8 and 20 to 22 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the GASB 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2015 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Plan's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
June 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of North Miami's Clair T. Singerman Employees' Retirement System (CTSERS), provides an overview of the financial activities and funding conditions for the fiscal years ended September 30, 2014 and 2013.

FINANCIAL HIGHLIGHTS

The CTSERS net results from operations for fiscal year 2014 reflected the following financial activities:

- A net increase of \$7,071,181 in net position (or 7.76%)
- The Statement of Changes in Fiduciary Net Position reflects the financial performance that occurred during the year. Net employer contributions for the year decreased from \$4,337,753 in fiscal year 2013 to \$4,024,959 in fiscal year 2014. The amounts of employer contributions vary from year to year and are actuarially determined while member contributions are equal to 7.00% of covered payroll.
- Due to actuarial requirements, employer contributions as a percentage of covered payroll increased from 34.13% to 37.20%. This reflects continued covered payroll reductions initiated in 2012.
- The plan experienced an increase of \$1,121,784 in net investment income.
- Benefit payments and administrative expenses increased \$1,552,719 (or 26.51%) from fiscal year 2013 to fiscal year 2014 due to the impact of an Employee Retirement Incentive Program (ERIP) in fiscal year 2014.

STATEMENT OF FIDUCIARY NET POSITION

The statement of fiduciary net position provides a snapshot of account balances at fiscal year end. 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 position value, or assets minus liabilities, represents the value of net position restricted for pension benefits. The CTSERS continues to be adequately funded. It is important to remember that retirement system funding is based on a long time horizon, and that temporary ups and downs in the market are to be expected.

The summary of fiduciary net position is presented below:

	September 30,	
	2014	2013
Assets		
Cash and short term investments	\$ 2,790,072	\$ 1,559,949
Investments	95,667,081	88,625,455
Receivables	<u>517,070</u>	<u>1,417,215</u>
Total Assets	98,974,223	91,602,619
Liabilities and Net Position Restricted for Pension Benefits		
Liabilities	<u>790,889</u>	<u>490,466</u>
Net Position Restricted for Pension Benefits	<u>\$ 98,183,334</u>	<u>\$ 91,112,153</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

The statement of changes in fiduciary net position displays the effects of pension fund transactions that occurred during the fiscal year where additions less deductions equal the net increase or decrease in the fiduciary net position.

The summary of changes in fiduciary net position is presented below:

	Fiscal Year Ended September 30,	
	2014	2013
Additions		
Contributions	\$ 4,987,033	\$ 5,465,706
Investment income, net	<u>9,493,224</u>	<u>8,371,440</u>
Total Additions	<u>14,480,257</u>	<u>13,837,146</u>
Deductions		
Benefits paid to plan members	7,124,785	5,672,558
Administrative expenses	<u>284,291</u>	<u>183,799</u>
Total Deductions	<u>7,409,076</u>	<u>5,856,357</u>
Net Increase	7,071,181	7,980,789
Net Position Restricted for Pension Benefits		
Beginning of year	<u>91,112,153</u>	<u>83,131,364</u>
End of year	<u>\$ 98,183,334</u>	<u>\$ 91,112,153</u>

FUNDING STATUS

Of primary concern to most pension plan participants is the amount of money available to pay benefits. A pension plan can become underfunded when the employer fails to make annual, actuarially required contributions to that plan. The City has traditionally contributed the annual required contribution to the plan as determined by the Plan's actuary.

NET PENSION LIABILITY

With the implementation of GASB Statement No. 67, a new measure of the accounting liability of the City is referred to as the Net Pension Liability and is measured as of the Plan's year end and is presented in the required supplementary information section.

The Plan's funding progress prior to the implementation of GASB Statement No. 67 is provided below:

Actuarial Valuation	AVA	AAL	Funded Ratio
10/1/2008	\$ 75,784,705	\$ 104,182,882	72.7%
10/1/2009	78,535,899	109,631,323	71.6%
10/1/2010	81,080,885	107,183,003	75.6%
10/1/2011	85,534,546	102,996,257	83.0%
10/1/2012	88,127,070	103,821,983	84.9%
10/1/2013	93,681,544	116,495,470	80.4%

PLAN MEMBERSHIP

Change in Plan Membership

	<u>September 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Inactive plan members and beneficiaries currently receiving benefits	234	190	44
Inactive plan members entitled but not yet receiving benefits	3	--	3
Active plan members	<u>217</u>	<u>263</u>	<u>(46)</u>
Total Membership	<u>454</u>	<u>453</u>	<u>1</u>

ASSET ALLOCATION

The following table compares the Plan's policy target asset allocation to actual allocation for September 30, 2014 and 2013.

	2014		2013	
	Target	Actual	Target	Actual
Equities	60.0%	60.6%	60.0%	58.1%
Fixed Income	30.0%	28.3%	40.0%	37.1%
Real Estate	10.0%	8.1%	0.0%	1.5%
Cash	0.0%	3.0%	0.0%	3.3%

INVESTMENT ACTIVITIES

Investment income is vital to the CTSERS for current and future financial stability. Therefore, the trustees have a fiduciary responsibility to act prudently and discretely when making plan investment decisions. To assist the board of trustees in this area, the board employs the services of an investment consultant to periodically review and update the investment policy.

Portfolio performance is reviewed quarterly by the board and its investment consultant. Performance is evaluated by individual money managers and by the asset class that each manager holds. Each performance is compared [a] to an internal benchmark (7.50% actuarial rate of return), [b] to a universe of peers and [c] to a broad financial benchmark (for example, S&P500).

Overall performance results, gross of fees, for the plan can be viewed in the table below:

Summary of Investment Returns

	September 30,		Annualized	
	2014	2013	3 Yr. Return	5 Yr. Return
Equities				
Fund Return	13.61%	21.93%	20.74%	14.61%
Fund Policy	14.44%	22.45%	21.41%	14.01%
Fixed Income				
Fund Return	3.18%	-1.35%	2.24%	3.62%
Fund Policy	3.13%	-1.22%	2.28%	3.84%
Real Estate				
Fund Return	5.28%	6.73%	N/A	N/A
Fund Policy	6.24%	2.87%	N/A	N/A
Total Fund				
Fund Return	9.43%	11.57%	12.46%	9.64%
Fund Policy	9.89%	12.52%	13.57%	10.59%

The above rates of return are time weighted and are gross of fees.

The Plan uses the Russell, S&P 500 and the MSCI Europe Australasia Far East (EAFE) indices as its equities policy. The Barclays Capital Government Credit Index (BCGC) and the Barclays Capital Intermediate Government Credit Index (BCIGC) form its fixed income policy. Real Estate investments are measured against the National Council of Real Estate Investment Fiduciary (NCREIF) index. The overall fund performance of the Plan is compared to the return of a portfolio comprised of the following:

Benchmarks per the Investment Policy

Barclays Capital Government Credit	15.0%
Barclays Capital Government Credit-Intermediate	15.0%
Russell 1000 Value	13.0%
Russell 1000 Growth	13.0%
Standard & Poor's 500	15.0%
Russell 2000	9.0%
National Council of Real Estate Investment Fiduciaries	10.0%
MSCI Europe Australasia Far East	10.0%
	100.0%

In FY2014, the CTSERS fell short of its policy benchmark by 46 basis points. This reflected significant underperformance in the Montag & Caldwell (large cap growth) folio partially offset by outperformance in the WHV (international) portfolio.

FINANCIAL ANALYSIS SUMMARY

The CTSERS investment activities, for the fiscal year ended September 30, 2014, are a function of the underlying market, money manager performance and the investment policy's asset allocation model. Many U.S. market indexes continued to post outstanding returns across the board this year thereby continuing last year's gains. This year's Plan return (9.47%) exceeded the actuarial assumed rate of return (7.50%).

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board of Trustees, Plan participants and the marketplace's 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 need additional financial information, please contact the Plan Administrator, 776 N.E. 125th Street, North Miami, Florida 33161 or 305-895-9884.

FINANCIAL STATEMENTS

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2014

(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2013)

	2014	2013
Assets		
Cash and Short-Term Investments	<u>\$ 2,790,072</u>	<u>\$ 1,559,949</u>
Investments, at Fair Value		
U.S. Treasuries	9,134,255	10,715,755
U.S. Agencies	1,358,817	1,462,359
Corporate bonds	17,068,703	21,248,744
Common stock	59,486,440	53,788,720
Real estate	<u>8,618,866</u>	<u>1,409,877</u>
Total Investments	<u>95,667,081</u>	<u>88,625,455</u>
Receivables		
Plan member contributions	21,439	17,576
CNM Police Share Plan	29,196	27,943
Receivable from broker on investments sold	191,003	1,008,063
Accrued interest	210,574	279,657
Accrued dividends	64,858	61,157
Other	<u>--</u>	<u>22,819</u>
Total Receivables	<u>517,070</u>	<u>1,417,215</u>
Total Assets	<u>98,974,223</u>	<u>91,602,619</u>
Liabilities and Net Position Restricted for Pension Benefits		
Liabilities		
Accounts payable and accrued liabilities	59,833	225,764
Payable to broker for investments purchased	235,290	218,957
Benefits payable	<u>495,766</u>	<u>45,745</u>
Total Liabilities	<u>790,889</u>	<u>490,466</u>
Net Position Restricted for Pension Benefits	<u>\$ 98,183,334</u>	<u>\$ 91,112,153</u>

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

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013)

	2014	2013
Additions		
Contributions		
Plan members	\$ 789,599	\$ 938,741
Employer	4,024,959	4,337,753
County	171,222	187,959
Other	1,253	1,253
Total Contributions	4,987,033	5,465,706
Investment Income		
Net appreciation in fair value of investments	8,169,914	6,544,379
Interest	969,033	1,165,262
Dividends	785,044	1,102,577
	9,923,991	8,812,218
Less: investment expenses	(430,767)	(440,778)
Net Investment Income	9,493,224	8,371,440
Total Additions	14,480,257	13,837,146
Deductions		
Benefits Paid to Plan Members		
Normal retirement	6,024,230	4,343,529
Disability retirement	42,642	55,873
Death benefits	11,561	5,529
Lump sum retirement	861,262	1,227,047
Refund of member contributions	185,090	40,580
Total Benefits Paid to Plan Members	7,124,785	5,672,558
Administrative expenses	284,291	183,799
Total Deductions	7,409,076	5,856,357
Net Increase	7,071,181	7,980,789
Net Position Restricted for Pension Benefits		
Beginning	91,112,153	83,131,364
Ending	\$ 98,183,334	\$ 91,112,153

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

NOTES TO FINANCIAL STATEMENTS

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements of the Clair T. Singerman Employees' Retirement System (the Plan) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest and dividends are recorded as earned.

METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date basis. Dividends are recorded on the ex-dividend date.

Within certain limitations as specified in the Plan, the investment policy is determined by the Board of Trustees and is implemented by the Plan's investment managers. A financial consultant monitors the investment managers.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

COMPARATIVE INFORMATION/RECLASSIFICATIONS

The financial statements include certain prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the fiscal year ended September 30, 2013, from which the comparative information was derived. In addition, certain 2013 amounts have been reclassified to conform to the 2014 presentation.

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The Board implemented the following GASB Statement during fiscal year ended September 30, 2014 that had an impact on the financial statements:

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment to GASB Statement No. 25*

For defined pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefit provided through the plan (net pension liability), about which information is required to be presented.

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

PLAN DESCRIPTION

The City of North Miami (the City or the employer) is the administrator of a single-employer defined benefit pension plan established to provide pension benefits for its employees. The Plan is administered by a seven member Board of Trustees comprised of one firefighter elected from firefighter members, one police officer elected from police members, two ex-officio members occupying positions specifically designated by Ordinance, and three elected general employee members.

The Clair T. Singerman Employees' Retirement System was established by the City's Ordinance 691 effective January 1, 1968. The Plan is considered part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. All full-time employees are eligible except for sworn police personnel hired after 1976. The latest actuarial valuation is as of October 1, 2013 (beginning year of valuation date); however, the required employer contribution for the fiscal year ended September 30, 2014 is based on the October 1, 2012 actuarial valuation. Benefit and contribution provisions are established by City ordinance and may be amended only by the Board of Trustees, subject to approval of the City Council.

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Membership in the Plan as of September 30, 2014 was as follows:

Inactive plan members and beneficiaries currently receiving benefits	234
Inactive plan members entitled but not yet receiving benefits	3
Active plan members	<u>217</u>
Total members	<u><u>454</u></u>

PENSION BENEFITS

General Plan members and police personnel not included in the police bargaining unit become partially vested (25%) after 5 years of credited service, increasing 15% annually, with full vesting after 10 years of credited service. All other police personnel become fully vested after 14 years.

Normal retirement is for:

- Plan members who retire at the earlier of age 55 and 20 years of service or age 62 and 10 years for general members.
- Plan members who retire at age 50 and 20 years of service for police and firefighters.

Early retirement is available after completion of 14 years of service for all Plan members. General members may also be eligible at age 55 after 10 years of service.

A member may elect to receive in a lump sum at retirement an amount, which is the actuarial equivalent of the benefits otherwise payable under the Plan.

Normal retirement benefits are based on 2.5% of average final compensation multiplied by the years of services through June 30, 1969 plus 3% of average final compensation for years of service after July 1, 1969. However, for any year prior to October 1, 1968 during which a member contributed less than 7% of compensation, the benefit percentage for each year varies per the Ordinance.

A terminating member with less than five years creditable service shall receive his/her contribution plus accrued interest accumulated since initial employment. Partially vested members shall receive the greater of member contributions plus accrued interest or the sum of member contributions prior to October 1, 1982 and his/her vested benefits.

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

CONTRIBUTIONS AND FUNDING POLICY

Plan members contribute 7% of their compensation. Interest is credited annually on Members' accumulated contributions through the prior year-end. The interest rate, determined by the Board of Trustees, was 0.2% in 2014 and 0.5% in 2013. Employer contributions for the fiscal years ended September 30, 2014 and 2013 were 37.20% and 34.13% respectively, of covered payroll. The total employer contribution on the statement of changes in fiduciary net position is \$4,024,959 for 2014.

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements for the Plan is the Entry Age Normal.

Contributions required on an actuarial basis to provide benefits for former City firemen who had elected to remain in the Plan upon their transfer to the Miami-Dade County Fire Department on October 1, 1969, are made by Miami-Dade County and the State of Florida - Bureau of Municipal Police and Firefighters' Retirement Fund pursuant to Chapter 175, Florida Statutes.

Pursuant to Chapter 185, Florida Statutes, a portion of all insurance premium tax monies received in excess of \$147,586 (the 1997 threshold) are utilized by this Plan for the purchase of additional benefits for the one remaining sworn police personnel that was included in this Plan prior to 1976. The excess of insurance premium tax monies amounted to \$1,253 for both of the fiscal years ended September 30, 2014 and 2013, and is reported as other contributions; the balance to be received as of September 30, 2014 and 2013 was \$29,196 and \$27,943, respectively. The funds were received by the City of North Miami's Police Share Plan, and are held there until this Plan determines what benefit enhancements will be made. All other insurance premium tax monies, to the extent they do not exceed the threshold remain with the City of North Miami's Police Share Plan.

NOTE 3 – DEPOSITS AND INVESTMENTS

DEPOSITS

In addition to insurance provided by the Federal Deposit Insurance Corporation, all deposits, which include cash on hand, are held in qualified public depositories pursuant to State of Florida Statute Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, all qualified public depositories are required to pledge eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Therefore, all deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

All investments made or held by the Plan shall be limited to the following as per the Plan's investment policy:

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation provided the amount deposited does not exceed the insured amount.
2. Obligations issued by the U.S. government or an agency or instrumentality of the U.S. government, including mortgage-related securities.
3. Domestic and international equities.
4. Fixed income investments defined as preferred issues and fixed income securities.
5. Money market funds, defined as fixed income securities having a maturity of less than one year.
6. Bonds issued by the State of Israel.
7. Commingled stock, bond or money market funds whose investments are restricted to securities.
8. Domestic commercial real estate property holdings.

Maturity Risk

Neither state law, nor Plan investment policy limit maturity term on fixed income holdings. As of September 30, 2014, the Plan had the following investments in its portfolio:

Investment	Fair Value	Investment Maturities (In Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 9,134,255	\$ 1,447,666	\$ 5,335,250	\$ 840,877	\$ 1,510,462
U.S. Agencies	1,358,817	--	209,115	719,365	430,337
Corporate Bonds	<u>17,068,703</u>	<u>1,463,776</u>	<u>8,491,482</u>	<u>5,965,070</u>	<u>1,148,375</u>
Total Investments	<u>\$ 27,561,775</u>	<u>\$ 2,911,442</u>	<u>\$ 14,035,847</u>	<u>\$ 7,525,312</u>	<u>\$ 3,089,174</u>

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to market value losses arising from increasing interest rates.

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Credit Risk

State law limits investments in bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided the corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service.

The Plan's investment policy limits fixed income investments to a rating no lower than Standard & Poor's BBB to Moody's Baa.

The Plan's corporate bonds and agency bonds were all ranked "A" or better under Standard & Poor's ratings and at least "A" under Moody's ratings. The Plan's mutual bond fund investments were rated an average of "A" under both Standard & Poor's and Moody's its exposure to market value losses arising from increasing interest rates.

Concentration of Credit Risk

The Plan's investment policy stipulates that not more than 5% of Plan assets can be invested in the common stock of any one issuing company nor can the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of any company. As of September 30, 2014, the value of each position held by the Plan portfolio comprised less than 5% of fiduciary net position and less than 5% of the value of the outstanding capital stock of the respective company.

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are held by the counterparty. The Plan has third party custodial arrangements with financial institutions to accept securities on a delivery versus payment basis for direct purchase agreements. All securities purchased by the Plan are designated as an asset of the Plan in the Plan's name and are held in safekeeping by the Plan's custodial bank or a third party custodial institution.

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 such changes could materially affect the amounts reported in the statement of fiduciary net position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis which the Plan believes minimizes these risks.

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 4 – NET PENSION LIABILITY OF THE CITY

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

Total pension liability	\$ 120,289,103
Plan fiduciary net position	<u>98,183,334</u>
Net pension liability	<u>\$ 22,105,769</u>
Plan fiduciary net position as a percentage	81.62%

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of October 1, 2013 and rolled forward to September 30, 2014, using the following actuarial assumptions:

Interest rates:

Single discount rate	7.50%
Long-term expected rate of return	8.00%

Mortality table	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements projected to all future years after 2000 using Scale AA
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LONG-TERM EXPECTED RATE OF RETURN

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 are summarized in the following table:

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 4 – NET PENSION LIABILITY OF THE CITY (CONTINUED)

LONG-TERM EXPECTED RATE OF RETURN (CONTINUED)

Asset Class	Long-Term Expected Real Rate of Return
Large value equity	8.00%
Large growth equity	7.75%
Small cap equity	8.73%
International equity	8.25%
Intermediate fixed	1.90%
Real Estate	6.25%
Broad Fixed	3.50%

DISCOUNT RATE

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.50%) was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Plan's net pension liability, if it were calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease 6.50%	Single Discount Rate Assumption 7.50%	1% Increase 8.50%
Net pension liability	\$ 37,686,804	\$ 22,105,769	\$ 9,223,122

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 5 – TAX STATUS

The Internal Revenue Service has determined and informed the Plan by a letter dated September 24, 2014, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code. Management believes that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

NOTE 6 – ADMINISTRATIVE EXPENSES

The City provides the Plan with certain services without receiving compensation. These services include office space in City Hall and the services of certain administrative personnel. During 2014, the City did not receive reimbursement funds from the County.

Administrative costs paid by the Plan consisted of the following:

	Fiscal Years Ended September 30,	
	2014	2013
Bookkeeping, Secretarial and Telephone	\$ 103,192	\$ 69,786
Audit and Legal Services	51,425	43,075
Actuarial Services	42,668	28,497
Performance Monitoring	42,735	36,311
Bond Insurance	12,402	11,362
Training	5,761	14,837
Other	26,108	2,749
	<u>284,291</u>	<u>206,617</u>
Reimbursement from Miami-Dade County for Pro Rata Share of Operating Costs	<u>--</u>	<u>(22,818)</u>
Total Administrative Costs	<u>\$ 284,291</u>	<u>\$ 183,799</u>

REQUIRED SUPPLEMENTARY INFORMATION

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

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

	2014
Total Pension Liability	
Service cost	\$ 2,250,457
Interest	8,638,765
Benefit changes	--
Difference between actual and expected experience	--
Assumption changes	--
Benefit payments	(6,939,695)
Refunds	(185,090)
Other	<u>1,253</u>
Net Change in Total Pension Liability	3,765,690
Total Pension Liability - Beginning	<u>116,523,413</u>
Total Pension Liability - Ending (a)	<u><u>\$ 120,289,103</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 4,196,181
Contributions - non-employer contributing entity	1,253
Contributions - member	789,599
Net investment income	9,493,224
Benefit payments	(6,939,695)
Refunds	(185,090)
Administrative expense	(284,291)
Other	<u>--</u>
Net Change in Plan Fiduciary Net Position	7,071,181
Plan Fiduciary Net Position - Beginning	<u>91,112,153</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 98,183,334</u></u>
Net Pension Liability - Ending (a) - (b)	\$ 22,105,769
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.62%
Covered Employee Payroll*	\$ 11,279,986
Net Pension Liability as a Percentage of Covered Employee Payroll	195.97%

*Actual total covered payroll for the fiscal year ending September 30, 2014

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.

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS

Year Ended September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 4,196,181	\$ 4,196,181	\$ --	\$ 11,279,986	37.20%

Valuation Date:

October 1, 2012

Notes

Actuarially determined contributions are calculated as of October 1, which is two year(s) prior to the end of the year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	General: Level Percentage of Payroll, Closed Police and Fire: Level Dollar, Close
Remaining Amortization Period	20 years
Asset Valuation Method	Recognition of 20% of difference between market value of assets and expected actuarial value of assets
Inflation	3.00%
Salary Increases	5.0% to 7.5% depending on service
Investment Rate of Return	7.50%
Retirement Age	Experience-based tables of rates
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements 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.

CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.47%

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.

REPORTING SECTION

**INDEPENDENT AUDITORS' 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 and Plan Administrator
Clair T. Singerman Employees' Retirement System
North Miami, 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 Clair T. Singerman Employees' Retirement System (the Plan), as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2015.

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.

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 and contracts, 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 entity'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.

Marcum LLP

Miami, FL
June 23, 2015