

**CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

# CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

## CONTENTS

---

<b>Independent Auditors' Report</b> .....	1-2
---	-----

<b>Management's Discussion and Analysis (Required Supplementary Information)</b> .....	3-7
--	-----

### **Financial Statements**

Statement of Fiduciary Net Position .....	8
Statement of Changes in Fiduciary Net Position .....	9
Notes to Financial Statements .....	10-18

### **Required Supplementary Information**

Schedule of Changes in the City's Net Pension Liability and Related Ratios .....	19
Schedule of City Contributions .....	20
Schedule of Investment Returns .....	21

### **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 <i>Government Auditing Standards</i> .....	22-23
---	-------

---

**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, 2015, 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, 2015, 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.

### ***Other Matters***

#### ***Report on Comparative Information***

We have previously audited the Clair T. Singerman Employees' Retirement System's 2014 financial statements, and our report dated June 23, 2015, 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, 2014, 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, respectively, be presented to supplement the 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016 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  
May 18, 2016

---

**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, 2015 and 2014.

### **FINANCIAL HIGHLIGHTS**

The CTSERS net results from operations for fiscal year 2015 reflected the following financial activities:

- A net decrease of \$363,159 in net position (or 0.37%)
- The Statement of Changes in Fiduciary Net Position reflects the financial performance that occurred during the year. Net employer contributions for the year increased from \$4,024,959 in fiscal year 2014 to \$5,452,219 in fiscal year 2015. 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 37.20% to 45.91%. This reflected the first of five annual payments to amortize the Unfunded Accrued Actuarial Liability associated with the Employee Retirement Incentive Program in fiscal year 2014.
- The plan experienced a decrease of \$8,688,708 in net investment income.
- Benefit payments and administrative expenses increased \$211,319 (or 2.85%) from fiscal year 2014 to fiscal year 2015.

### **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,	
	2015	2014
<b>Assets</b>		
Cash and short term investments	\$ 2,757,430	\$ 2,790,072
Investments	94,914,608	95,667,081
Receivables	<u>518,082</u>	<u>517,070</u>
<b>Total Assets</b>	98,190,120	98,974,223
<b>Liabilities and Net Position Restricted for Pension Benefits</b>		
Liabilities	<u>369,945</u>	<u>790,889</u>
<b>Net Position Restricted for Pension Benefits</b>	<u>\$ 97,820,175</u>	<u>\$ 98,183,334</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,	
	2015	2014
<b>Additions</b>		
Contributions	\$ 6,452,720	\$ 4,987,033
Investment income, net	<u>804,516</u>	<u>9,493,224</u>
<b>Total Additions</b>	<u>7,257,236</u>	<u>14,480,257</u>
<b>Deductions</b>		
Benefits paid to plan members	7,385,186	7,124,785
Administrative expenses	<u>235,209</u>	<u>284,291</u>
<b>Total Deductions</b>	<u>7,620,395</u>	<u>7,409,076</u>
<b>Net Increase (Decrease)</b>	(363,159)	7,071,181
<b>Net Position Restricted for Pension Benefits</b>		
Beginning of year	<u>98,183,334</u>	<u>91,112,153</u>
End of year	<u>\$ 97,820,175</u>	<u>\$ 98,183,334</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 fiscal year end and is presented in the required supplementary information section.

## **PLAN MEMBERSHIP**

	<u>September 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Inactive plan members and beneficiaries currently receiving benefits	228	234	(6)
Inactive plan members entitled but not yet receiving benefits	2	3	(1)
Active plan members	<u>243</u>	<u>217</u>	<u>26</u>
Total Membership	<u>473</u>	<u>454</u>	<u>19</u>

## **ASSET ALLOCATION**

The following table compares the Plan's policy target asset allocation to actual allocation for September 30, 2015 and 2014.

	<u>2015</u>		<u>2014</u>	
	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>
Equities	60.0%	56.3%	60.0%	60.6%
Fixed Income	30.0%	31.0%	30.0%	28.3%
Real Estate	10.0%	10.6%	10.0%	8.1%
Cash	0.0%	2.1%	0.0%	3.0%

## INVESTMENT ACTIVITIES

Investment income is vital to the CTSEERS 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, net of fees, for the plan can be viewed in the table below:

	<b>Summary of Investment Returns</b>			
	<u>September 30,</u>		<u>Annualized</u>	
	<u>2015</u>	<u>2014</u>	<u>3 Yr. Return</u>	<u>5 Yr. Return</u>
<b>Equities</b>				
Fund Return	-2.68%	13.61%	10.47%	11.87%
Fund Policy	-1.58%	14.44%	11.31%	12.07%
<b>Fixed Income</b>				
Fund Return	2.89%	3.18%	1.56%	2.66%
Fund Policy	2.71%	3.13%	1.52%	2.76%
<b>Real Estate</b>				
Fund Return	16.21%	9.70%	N/A	N/A
Fund Policy	14.12%	11.26%	N/A	N/A
<b>Total Fund</b>				
Fund Return	0.62%	9.43%	7.10%	7.99%
Fund Policy	0.53%	9.89%	7.52%	8.52%

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 FY2015, the CTSERS barely exceeded its policy benchmark (by 9 basis points). This reflected significant underperformance in the international equity portfolio, whose manager (WHV), was terminated near the end of the fiscal year. The disappointing performance in the international equity portfolio was partly offset by modest gains in the Plan's other holdings.

### **FINANCIAL ANALYSIS SUMMARY**

The CTSERS investment activities, for the fiscal year ended September 30, 2015, are a function of the underlying market, money manager performance and the investment policy's asset allocation model. Recent years' robust market gains came to a halt during the fiscal year, as evidenced by the -0.6% decline in the Standard & Poor's 500 Index (S&P500). However, although the Plan return (0.78%) exceeded its target rate of return (0.53%), it was not able to meet its actuarial assumed rate of return of 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, 2015

(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2014)

	2015	2014
<b>Assets</b>		
<b>Cash and Short-Term Investments</b>	\$ 2,757,430	\$ 2,790,072
<b>Investments, at Fair Value</b>		
U.S. Treasuries	10,734,768	9,134,255
U.S. Agencies	2,121,622	1,358,817
Corporate bonds	17,100,351	17,068,703
Common stock	54,534,664	59,486,440
Real estate	10,423,203	8,618,866
<b>Total Investments</b>	94,914,608	95,667,081
<b>Receivables</b>		
Plan member contributions	26,166	21,439
CNM Police Share Plan	30,449	29,196
Receivable from broker on investments sold	190,272	191,003
Accrued interest	229,340	210,574
Accrued dividends	41,855	64,858
<b>Total Receivables</b>	518,082	517,070
<b>Total Assets</b>	98,190,120	98,974,223
<b>Liabilities and Net Position Restricted for Pension Benefits</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	34,819	59,833
Payable to broker for investments purchased	287,036	235,290
Benefits payable	48,090	495,766
<b>Total Liabilities</b>	369,945	790,889
<b>Net Position Restricted for Pension Benefits</b>	\$ 97,820,175	\$ 98,183,334

*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, 2015

(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014)

	2015	2014
<b>Additions</b>		
<b>Contributions</b>		
Plan members	\$ 853,456	\$ 789,599
Employer	5,452,219	4,024,959
County	145,792	171,222
Other	<u>1,253</u>	<u>1,253</u>
<b>Total Contributions</b>	<u>6,452,720</u>	<u>4,987,033</u>
<b>Investment Income</b>		
Net appreciation (depreciation) in fair value of investments	(597,305)	8,169,914
Interest	962,392	969,033
Dividends	<u>839,690</u>	<u>785,044</u>
	1,204,777	9,923,991
Less: investment expenses	<u>(400,261)</u>	<u>(430,767)</u>
<b>Net Investment Income</b>	<u>804,516</u>	<u>9,493,224</u>
<b>Total Additions</b>	<u>7,257,236</u>	<u>14,480,257</u>
<b>Deductions</b>		
<b>Benefits Paid to Plan Members</b>		
Normal retirement	6,421,447	6,024,230
Disability retirement	40,985	42,642
Death benefits	5,529	11,561
Lump sum retirement	680,882	861,262
Refund of member contributions	<u>236,343</u>	<u>185,090</u>
<b>Total Benefits Paid to Plan Members</b>	7,385,186	7,124,785
Administrative expenses	<u>235,209</u>	<u>284,291</u>
<b>Total Deductions</b>	<u>7,620,395</u>	<u>7,409,076</u>
<b>Net Increase (Decrease)</b>	(363,159)	7,071,181
<b>Net Position Restricted for Pension Benefits</b>		
Beginning	<u>98,183,334</u>	<u>91,112,153</u>
Ending	<u>\$ 97,820,175</u>	<u>\$ 98,183,334</u>

*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, 2015

---

### 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. 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 or depreciation 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, 2014, from which the comparative information was derived.



# CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

---

### 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, 2014 (beginning year of valuation date); however, the required employer contribution for the fiscal year ended September 30, 2015 is based on the October 1, 2013 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.

Membership in the Plan as of September 30, 2015 was as follows:

Inactive plan members and beneficiaries currently receiving benefits	228
Inactive plan members entitled but not yet receiving benefits	2
Active plan members	<u>243</u>
Total members	<u><u>473</u></u>

Subsequent to fiscal year end and effective February 1, 2016, new employees hired by the City will join the Florida Retirement System (FRS). Existing members to the Plan will have the option to remain in the Plan or may choose to participate in the FRS. These members will have the option of keeping their accrued benefits in the Plan or receiving refunds of member contributions.

#### *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.

# CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

---

### NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

#### *PENSION BENEFITS (CONTINUED)*

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.

#### *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 0.1% in 2015 and 0.2% in 2014. Employer contributions for the fiscal years ended September 30, 2015 and 2014 were 45.91% and 37.20% respectively, of covered payroll. The total employer contribution on the statement of changes in fiduciary net position is \$5,452,219 for 2015 and \$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.

# CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

---

### NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

#### *CONTRIBUTIONS AND FUNDING POLICY (CONTINUED)*

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, 2015 and 2014, and is reported as other contributions; the balance to be received as of September 30, 2015 and 2014 was \$30,449 and \$29,196, 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.

#### *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.

# CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

---

### NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

#### *INVESTMENTS (CONTINUED)*

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, 2015, the Plan had the following fixed income investments in its portfolio:

Investment	Fair Value	Investment Maturities (In Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 10,734,768	\$ 1,371,537	\$ 3,882,022	\$ 3,807,696	\$ 1,673,513
U.S. Agencies	2,121,622	--	1,032,330	343,378	745,914
Corporate Bonds	<u>17,100,351</u>	<u>1,219,273</u>	<u>9,077,231</u>	<u>5,713,554</u>	<u>1,090,293</u>
<b>Total Investments</b>	<u>\$ 29,956,741</u>	<u>\$ 2,590,810</u>	<u>\$ 13,991,583</u>	<u>\$ 9,864,628</u>	<u>\$ 3,509,720</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.

#### *Rate of Return*

For the year ended September 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 0.78%. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

# CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

---

### 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 rated "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 and 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, 2015, 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, 2015

---

### NOTE 4 – NET PENSION LIABILITY OF THE CITY

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

Total pension liability	\$ 122,273,440
Plan fiduciary net position	<u>(97,820,175)</u>
Net pension liability	<u>\$ 24,453,265</u>
Plan fiduciary net position as a percentage	80.00%

### *SIGNIFICANT ACTUARIAL ASSUMPTIONS*

The total pension liability was determined by an actuarial valuation as of October 1, 2014 and rolled forward to September 30, 2015, using the following actuarial assumptions:

Inflation	3.00%
Salary increases	5.00% - 7.50% depending on service
Investment rate of return	7.50%
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

### *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, 2015 are summarized in the following table:

**CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

---

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

***LONG-TERM EXPECTED RATE OF RETURN (CONTINUED)***

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity	41.00%	7.88%
Small equity	9.00%	8.50%
International equity	10.00%	8.00%
Intermediate fixed	15.00%	1.80%
Real Estate	10.00%	6.00%
Fixed	15.00%	2.70%

***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 OF THE CITY TO CHANGES IN THE DISCOUNT RATE***

Below is a table providing the sensitivity of the net pension liability of the City 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	\$ 39,987,182	\$ 24,453,265	\$ 11,587,160

# CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

---

### 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 2015, the City did not receive reimbursement funds from Miami-Dade County.

Administrative costs paid by the Plan consisted of the following:

	Fiscal Years Ended	
	September 30,	
	2015	2014
Bookkeeping, Secretarial and Telephone	\$ 81,977	\$ 103,192
Performance Monitoring	44,483	42,735
Audit and Legal Services	41,989	51,425
Actuarial Services	31,101	42,668
Bond Insurance	16,820	12,402
Training	13,693	5,761
Other	5,146	26,108
<b>Total Administrative Costs</b>	<b>\$ 235,209</b>	<b>\$ 284,291</b>



---

**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

	2015	2014
<b>Total Pension Liability</b>		
Service cost	\$ 2,438,791	\$ 2,250,457
Interest	8,937,243	8,638,765
Difference between actual and expected experience	(2,263,638)	--
Benefit payments	(6,863,520)	(6,939,695)
Refunds	(265,792)	(185,090)
Other	1,253	1,253
<b>Net Change in Total Pension Liability</b>	1,984,337	3,765,690
<b>Total Pension Liability - Beginning</b>	120,289,103	116,523,413
<b>Total Pension Liability - Ending (a)</b>	\$ 122,273,440	\$ 120,289,103
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 5,598,011	\$ 4,196,181
Contributions - non-employer contributing entity	1,253	1,253
Contributions - member	853,456	789,599
Net investment income	804,516	9,493,224
Benefit payments	(7,148,843)	(6,939,695)
Refunds	(236,343)	(185,090)
Administrative expense	(235,209)	(284,291)
<b>Net Change in Plan Fiduciary Net Position</b>	(363,159)	7,071,181
<b>Plan Fiduciary Net Position - Beginning</b>	98,183,334	91,112,153
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 97,820,175	\$ 98,183,334
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 24,453,265	\$ 22,105,769
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.00%	81.62%
Covered Employee Payroll*	\$ 12,192,229	\$ 11,279,986
Net Pension Liability as a Percentage of Covered Employee Payroll	200.56%	195.97%

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

*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
2015	\$ 5,598,011	\$ 5,598,011	\$ --	\$ 12,192,229	45.91%
2014	4,196,181	4,196,181	--	11,279,986	37.20%

**Valuation Date:**

October 1, 2013

Notes

Actuarially determined contributions are calculated as of October 1, which is two years prior to the end of the fiscal 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, Closed
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

---

	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	0.78%	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, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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  
May 18, 2016