

**CITY OF AVENTURA POLICE OFFICERS' RETIREMENT  
PLAN  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014, AND 2013**

**CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014, AND 2013**

**TABLE OF CONTENTS**

	<u>Page No.</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3-6
<b>FINANCIAL STATEMENTS</b>	
• Statements of fiduciary net position	7
• Statements of changes in fiduciary net position	8
<b>NOTES TO FINANCIAL STATEMENTS</b>	9-16
<b>SUPPLEMENTAL INFORMATION</b>	
• Schedules of administrative expenses	17
• Schedule of contributions from employer and other contributors	18
• Schedule of investment returns	19
• Schedule of changes in the employer's net pension liability and related ratios	20
<b>COMPLIANCE REPORT</b>	
• Report of Independent Certified Public Accountant on Internal Control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards	21-22

## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
**City of Aventura Police Officers' Retirement Plan**  
Aventura, Florida

We have audited the accompanying financial statements of **City of Aventura Police Officers' Retirement Plan** ("Plan") which are comprised of the statements of fiduciary net position as of September 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the **City of Aventura Police Officers' Retirement Plan** as of September 30, 2014 and 2013, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplemental information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information in management's discussion and analysis or the supplemental schedules of administrative expenses, the schedule of contributions from the employer and other contributors, the schedule of investment returns or the schedule of changes in the employer net pension liability and related ratios because the limited procedures we performed did not provide us with sufficient evidence to express an opinion or provide any assurance on them.



S I Gordon & Company, PA

January 29, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the annual financial report presents the Management Discussion and Analysis (MD&A) of the City of Aventura Police Officers' Retirement Plan ("Plan") financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal years ended September 30, 2014 and 2013. Please read it in conjunction with the Plan financial statements, which follow immediately.

### **Financial highlights:**

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

- Total fiduciary net position is \$28,759,398 which was 17% greater than 2013 fiduciary net position.
- Total contributions were \$2,354,738 which was 5% lower than the 2013 contributions.
- Total interest and dividend earnings were \$491,731 which was 1% lower than the 2013 earnings.
- Net investment income was \$2,231,133 which was 4% lower than the 2013 income.
- Total pension benefit payments were \$360,589 which was 27% greater than 2013.

### **Overview of the financial statements**

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

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

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

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

The Plan was first established October 1, 2003 to provide retirement, disability and death benefits for the police officers of the City, as defined in Article II, Section 36-21 of the City of Aventura code, which is amended from time to time. The City of Aventura is the Plan Sponsor of this system.

There is a board of trustees in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Employer, employee and state contributions for the year were \$2,354,738 combined, which was 5% lower than the 2013 contributions. For the fiscal year ended September 30, 2014, employer and employee contributions were 19.39% and 6.775% of compensation, respectively.

**Statement of Fiduciary Net Position**

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

The Plan is evaluated for actuarial soundness on an annual basis by the actuary of the Plan. It is important to remember that retirement system funding is based on a long-term perspective and that temporary ups and downs in the market are to be expected.

- Fiduciary Net Position at September 30, 2014 were \$28,759,398, a 17% increase from Fiduciary Net Position at September 30, 2013.
- Total investments at fair value at September 30, 2014 \$28,751,946, a 17% increase from the same assets at September 30, 2013.

	2014	2013	% Change
Investments, at fair value	\$28,751,946	\$ 24,656,280	17%
Receivables	71,752	118,615	(40)
Total assets	28,823,698	24,774,895	16
Total liabilities	64,300	139,619	(54)
Net position	28,759,398	24,635,276	17

**Statement of Changes in Fiduciary Net Position**

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

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

- Revenues (additions to the fiduciary net position) for the Plan were \$4,585,871, which was made up of employer, employee, and state contributions of \$2,354,738 plus net investment income of \$2,231,133.
- Expenses (deductions from the fiduciary net position) increased from \$368,440 during 2013 to \$461,749 in 2014.

	2014	2013	% Change
Total contributions	\$ 2,354,738	\$ 2,488,734	(5)%
Net investment income	2,231,133	2,318,769	(4)
Other income	-	88	(100)
Total additions	4,585,871	4,807,591	(5)
Total deductions	461,749	368,440	25
Net increase	4,124,122	4,439,151	(7)
Net position – beginning	24,635,276	20,196,125	22
Net position – ending	28,759,398	24,635,276	17

### **Asset allocation**

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

Type of Investment	Investment policy	Actual allocation
Fixed income	17.5% to 22.5%	18.3%
Domestic Equities	43.75% to 66.25%	49.1%
Foreign Equities	7.5% to 12.5%	13.0%
Private Real Estate Fund	0% -10%	4.1%
Hedge Funds	0% -15%	9.4%
Cash Equivalents	0% to 100%	6.1%

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 a long-term investment perspective.

### **Investment activities**

Investment income is vital to the Plan for current and future financial stability. Therefore, the Trustees have a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board of Trustees in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Fund. The investment policy statement was last amended on December 2, 2013.

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

### **Financial analysis summary**

The investment activities, for the fiscal year ended September 30, 2014 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

### **Contacting the Plan's financial management**

This financial analysis is designed to provide the Board of Trustees, plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the City of Aventura Police Officers' Retirement Plan, Benefits USA, 3810 Inverrary Boulevard, Suite 302, Lauderhill, FL 33319.

**CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2014 AND 2013**

**ASSETS**

	<b>2014</b>	<b>2013</b>
<b>Receivables:</b>		
Employer contributions	-	35,091
Other receivables	2,358	-
Due for securities sold	-	8,315
Accrued investment income	69,394	75,209
<b>Total receivables</b>	<u>71,752</u>	<u>118,615</u>
<b>Investments, at fair value (Notes 1 &amp; 4)</b>		
Common stocks	17,874,904	15,469,632
Options and futures	(23,638)	(35,077)
Real estate	1,176,022	1,073,317
Government securities	3,249,772	3,758,394
Corporate bonds	2,021,546	2,842,839
Hedge funds	2,688,588	-
Cash and cash equivalents	1,764,752	1,547,175
<b>Total investments</b>	<u>28,751,946</u>	<u>24,656,280</u>
<b>Total assets</b>	<u>\$ 28,823,698</u>	<u>\$ 24,774,895</u>

**LIABILITIES**

<b>Accounts payable</b>	\$ 3,792	\$ 4,366
<b>Due for securities purchased</b>	7,165	135,253
<b>Deferred revenue</b>	53,343	-
<b>Total liabilities</b>	<u>\$ 64,300</u>	<u>\$ 139,619</u>

**NET POSITION RESTRICTED FOR PENSIONS**

<b>Net position restricted for pensions</b>	\$ 28,759,398	\$ 24,635,276
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READ THE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014	2013
<b>Additions:</b>		
Contributions -		
Employer	\$ 1,498,605	\$ 1,671,831
Employees	537,693	529,177
Florida Chapter 185 monies	318,440	287,726
Total contributions	<u>2,354,738</u>	<u>2,488,734</u>
Investment income -		
Net appreciation in fair value of investments	1,977,911	2,019,589
Interest and dividend income	491,731	495,354
Total investment income	<u>2,469,642</u>	<u>2,514,943</u>
Less: investment expenses	<u>238,509</u>	<u>196,174</u>
Net investment income	<u>2,231,133</u>	<u>2,318,769</u>
Other income	-	88
Total additions	<u>4,585,871</u>	<u>4,807,591</u>
<b>Deductions:</b>		
Benefits paid	360,589	284,567
Refund of contributions	48,496	21,504
Administrative expenses ( <i>See Schedule</i> )	52,664	62,369
Total deductions	<u>461,749</u>	<u>368,440</u>
Net increase in net position	4,124,122	4,439,151
<b>Net position restricted for pensions:</b>		
Beginning of year	24,635,276	20,196,125
End of year	<u>\$ 28,759,398</u>	<u>\$ 24,635,276</u>

READ THE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF AVENTURA POLICE OFFICERS’  
RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
SEPTEMBER 30, 2014 AND 2013**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

• **Accounting estimates -**

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

• **Investment valuation and income recognition -**

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

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

• **Accounting principles -**

The Plan applies all GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

• **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. The Plan received its most recent tax determination letter ruling on October 17, 2014.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 9/30/11.

**CITY OF AVENTURA POLICE OFFICERS’  
RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
SEPTEMBER 30, 2014 AND 2013**

**(2) DESCRIPTION OF THE PLAN:**

The following description of the City of Aventura Police Officer’s Retirement Plan (“Plan”) provides only general information. Participants should refer to the City’s ordinance for more complete information.

**• General –**

The Plan is a single-employer defined benefit retirement plan covering all eligible police officers. The Plan was established by the City in accordance with a City ordinance and state statutes.

Management of the Plan is vested in the Board of Trustees, which consists of five members—The Board of Trustees shall consist of five persons; two of whom shall be legal residents of the City of Aventura and who shall be appointed by the City Commission from a list provided by the City Manager. Two members of the Board of Trustees shall be police officers elected by a majority of the police officers who are active members of the plan. A fifth member of the Board shall be chosen by a majority of the other four Trustees, and such person's name shall be submitted to the City Commission for appointment. The City Commission shall appoint the fifth member selected by the other four Trustees as a ministerial duty

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

Inactive plan members or beneficiaries currently receiving benefits	11
Active Plan members	<u>84</u>
Total	<u>95</u>

**• Eligibility -**

The Plan is open solely to active police officers of the City of Aventura.

**CITY OF AVENTURA POLICE OFFICERS’  
RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
SEPTEMBER 30, 2014 AND 2013**

**(2) DESCRIPTION OF THE PLAN (CONTINUED):**

**• Benefits –**

**Normal retirement** – A participant is eligible for normal retirement upon the earlier of age 55 with 10 years of credited service or completion of 25 years of credited service, regardless of age. For the first 40 years of service, the monthly benefit received will be 3% of final monthly compensation multiplied by the number of years of service, to a maximum of 80%. Years credited beyond 40 will be taken into account at 2% of final compensation per year.

**Early retirement** – An early retirement benefit may be received upon attainment of age 45 with 10 years of credited service. The benefit may be received either on a deferred basis or on an immediate basis. On an immediate basis, the benefit amount will be the normal retirement benefit reduced by 3% per year for each year by which the retirement date precedes the normal retirement date. On a deferred basis, the benefit amount will be the same as the normal retirement benefit except that the final compensation and credited service will be based upon the early retirement date.

**Disability retirement** – Members who become disabled due to service-incurred injuries, which arise out of performance of service with the City, will receive a monthly benefit amount equal to the member’s accrued benefit but not less than 42% of the member’s final monthly compensation as of the date of disability, offset by any other payments, such as worker’s compensation. Members who become disabled due to non-service-incurred injuries, which do not arise out of performance of service with the City, and who have completed at least ten years of service, will receive a monthly benefit amount equal to 3% of final monthly compensation for each year of credited service, but not less than 30%.

**• Funding -**

Plan members are required to contribute 6.775% of their annual covered salary and the City is required to contribute 19.389% of covered payroll. Consistent with the requirements of Sections 112.66 and 185.07 of the Florida Statutes, the City is required to contribute an amount necessary to maintain the Plan on an actuarially sound basis. Contribution requirements of the Plan members and the City are established and may be changed by an amendment of the City ordinance. The costs of administering the Plan are paid out of contributions to the Plan.

**• Rate of return -**

For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.87%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF AVENTURA POLICE OFFICERS’  
RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
SEPTEMBER 30, 2014 AND 2013**

**(3) NET PENSION LIABILITY OF THE FUND**

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

Total pension liability	\$31,875,310
Plan fiduciary net position	<u>(28,811,486)</u>
Plan’s net pension liability	\$ 3,063,824
Plan fiduciary net position as a percentage of the total pension liability	90.39%

The total pension liability was determined by an actuarial valuation as of October 1, 2012, using the following most significant actuarial assumptions, 7.5% for the investment rate of return, 5.0% for projected salary increases and 3.0% for inflation.

RP-2000 Combined Healthy (current). Disabled set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

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:

**CITY OF AVENTURA POLICE OFFICERS’  
RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
SEPTEMBER 30, 2014 AND 2013**

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

<u>Asset class</u>	<u>Long –term expected real rate of return</u>
Large Cap Value Equity	5.58%
Large Cap Growth Equity	5.58%
Large Cap Core Equity	5.62%
Small Cap Value Equity	6.70%
Small/Mid Cap Growth Equity	6.40%
International Value Equity	5.64%
International Growth Equity	5.44%
Hedge Fund of Funds	3.17%
Core Private Real Estate	4.04%
Core Fixed Income	1.39%

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

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

	<u>1% decrease (6.5%)</u>	<u>Current discount rate (7.5%)</u>	<u>1% increase (8.5%)</u>
Net position liability	\$ 6,902,291	\$3,063,824	\$(259,355)

**(4) INVESTMENTS:**

The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The investment policy statement was last amended on December 2, 2013. The following was the Board’s adopted asset allocation policy as of September 30, 2014:

**CITY OF AVENTURA POLICE OFFICERS’  
RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
SEPTEMBER 30, 2014 AND 2013**

**(4) INVESTMENTS (CONTINUED):**

Type of Investment	Target Allocation
Fixed income	17.5% to 22.5%
Domestic Equities	43.75% to 66.25%
Foreign Equities	7.5% to 12.5%
Private Real Estate Fund	0% -10%
Hedge Funds	0% -15%
Cash Equivalents	0% to 100%

During the year ended September 30, 2014, the Plan’s investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$1,977,911 (reported as Net appreciation in fair value of investments in the Statement of Changes in Fiduciary net position) as follows:

Government securities	\$(38,896)
Options and futures	21,753
Corporate bonds	(28,821)
Hedge Funds	88,588
Real estate	135,943
Common stocks	<u>1,799,344</u>
Total	<u>\$ 1,977,911</u>

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

The Plan’s investment policy does not currently set a parameter on the duration of its fixed income securities. However, the information as to the weighted average maturity of its fixed income portfolio is as follows:

<u>Investment type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10 years</u>
Corporate bonds	\$2,021,546	\$ 545,450	\$1,096,139	\$ 379,957	\$ -
US treasuries	2,632,490	661,015	1,375,815	595,660	-
US agencies	<u>617,282</u>	<u>403,268</u>	<u>214,014</u>	-	-
Totals	<u>\$5,271,318</u>	<u>\$1,609,733</u>	<u>\$2,685,968</u>	<u>\$975,617</u>	<u>\$ -</u>

**CITY OF AVENTURA POLICE OFFICERS’  
RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
SEPTEMBER 30, 2014 AND 2013**

**(4) INVESTMENTS (CONTINUED):**

The term “credit risk” is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Pursuant to City Ordinance 36-25(c)(4), the Fund limits its credit risk by limiting its fixed income investments to securities with the top 4 ratings issued by nationally recognized statistical rating organizations. The Fund’s corporate bonds and commercial paper were rated by Moody’s Investors Services as follows:

<u>Rating</u>	<u>Fair Value</u>
A1	\$ 609,843
A2	801,530
A3	302,721
Aa3	307,452
AAA	<u>3,249,772</u>
Total	<u>\$5,271,318</u>

The Fund limits investments with any one issuer to no more than 5% of Fiduciary net position, other than those issued by the US Government or its Agencies. More than 5% of the Fund’s fiduciary net position is invested in debt securities issued by the United States Treasury. The United States Treasury investments represented 9.14% of Fiduciary net position.

“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. American Depository Receipts (ADRs) are non-U.S. equity that are issued in U.S. dollars and have no foreign currency risk, and therefore are not included. The total of the investments in foreign securities, all of which are ADR’s, is \$3,738,468. The investment policy limits the foreign investments to no more than 15% of the Fund’s investment balance. As of year-end, the foreign investments were 13% of total investments.

**(5) RISKS AND UNCERTAINTIES:**

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

**CITY OF AVENTURA POLICE OFFICERS’  
RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
SEPTEMBER 30, 2014 AND 2013**

**(5) RISKS AND UNCERTAINTIES (CONTINUED):**

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.

**(6) SUBSEQUENT EVENTS:**

The plan has evaluated subsequent events through January 29, 2014, the date the financial statements were available to be issued.

**CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN**  
**SCHEDULES OF ADMINISTRATIVE EXPENSES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
Accounting	\$ 8,900	\$ 8,700
Actuarial fees	2,538	13,144
Administrative fees	14,400	14,400
Insurance	5,230	5,011
Legal fees	13,199	7,230
Miscellaneous	8,397	13,884
Total expenses	\$ 52,664	\$ 62,369

READ THE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF AVENTURA, FLORIDA**  
**POLICE OFFICERS' RETIREMENT PLAN**  
**SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS**  
**FROM EMPLOYER AND OTHER CONTRIBUTORS**  
**AS OF OCTOBER 1, 2012**  
**(UNAUDITED)**

<b>Year Ended September 30</b>	<b>Annual determined Contribution</b>	<b>Contributions in relation to the actuarially determined contribution</b>	<b>Contribution (deficiency) excess</b>	<b>Covered-employee payroll</b>	<b>Contributions as a percentage of covered employee payroll</b>
2012	\$1,923,697	\$1,923,697	\$ -	\$7,663,687	25%
2011	1,895,968	1,895,968	-	N/A	N/A
2010	1,530,134	1,605,048	74,914	N/A	N/A
2009	1,151,438	1,414,470	263,032	6,418,797	22
2008	1,169,142	1,187,996	18,854	N/A	N/A
2007	1,154,250	1,160,865	6,615	5,576,592	21

Actuarial cost method	Entry age normal cost
Amortization method	Level dollar
Remaining amortization period	24 years
Asset valuation method	5 year smooth
Inflation:	3%
Salary increases	5%
Investment rate of return	7.5%
Retirement age	Earlier of age 57 and 10 years of credited service or upon completion of 25 years of credited service, regardless of age.
Mortality	RP-2000 Combined Healthy Disabled set forward 5 years

**CITY OF AVENTURA, FLORIDA**  
**POLICE OFFICERS' PENSION PLAN**  
**SCHEDULE OF INVESTMENT RETURNS**  
**AS OF SEPTEMBER 30, 2014**  
**(UNAUDITED)**

<b>Year Ended September 30</b>	<b>Annual money-weighted rate of return net of investment expense</b>
2014	8.87%
2013	11.44
2012	16.20
2011	(0.48)
2010	9.27
2009	7.57
2008	(15.39)
2007	12.25
2006	5.91
2005	5.53

**CITY OF AVENTURA  
POLICE OFFICERS' RETIREMENT PLAN  
SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS**

	<b>2014</b>
<b>Total pension liability:</b>	
Service Cost	\$ 1,732,252
Interest	2,238,129
Benefit payments, including refunds of employee contributions	(409,085)
<b>Net Change in Total Pension Liability</b>	<b>3,561,296</b>
<b>Total Pension Liability - Beginning</b>	<b>28,314,013</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 31,875,309</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer and State	\$ 1,866,983
Contributions- Member	541,099
Net investment income	2,199,131
Benefit payments, including refunds of employee contributions	-
Administrative expenses	(409,085)
Other	(55,897)
<b>Net Change in Fiduciary Net Position</b>	<b>4,142,231</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>24,669,255</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 28,811,486</b>
<b>Net Pension Liability - Ending</b>	<b>3,063,823</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>90%</b>
<b>Covered Employee Payroll</b>	<b>\$ 7,986,695</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>38%</b>

# **S I Gordon & Company, PA**

Certified Public Accountant

American Institute of  
Certified Public Accountants

Florida Institute of  
Certified Public Accountants

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

The Board of Trustees  
**City of Aventura**  
**Police Officers' Retirement Plan**  
Aventura, Florida

We have audited the financial statements of **City of Aventura Police Officers' Retirement Plan**, as of and for the year ended September 30, 2014, and have issued our report thereon dated January 29, 2015. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

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

### Internal Control Over Financial Reporting

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

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

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

S I Gordon & Company, PA  
January 29, 2015