

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

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S 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, which are comprised of the statements of fiduciary net position as of September 30, 2015 and 2014, 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

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT (Continued)

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, 2015 and 2014 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, the schedule 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's 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.

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

Miami, Florida
February 10, 2016

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management's Discussion and Analysis (MD&A) of the City of Aventura Police Officers' Retirement Plan (Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2015. Please read it in conjunction with the Plan financial statements, which immediately follow.

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 supplementary information.

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

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

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

The Plan was first established October 1, 2003 to provide retirement, disability and death benefits for the police officers of the City of Aventura, Florida (City), as defined in Article II, Section 36-21 of the City, which is amended from time to time. The City is the Plan Sponsor of the Plan. There is a Board of Trustees (Board) in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Financial Highlights

The Plan's financial statements net results from operations for fiscal year 2015 reflected the following financial activities:

- Total fiduciary net position was \$30,085,758, which was 5% greater than 2014 total fiduciary net position.
- Total contributions were \$2,402,790, which was 2% greater than the 2014 contributions.
- Total interest and dividend earnings were \$574,155, which was 17% greater than the 2014 earnings.
- Net investment loss was \$615,161, which was 128% lower than the 2014 income.
- Benefits paid were \$382,361, which was 6% greater than the benefits paid during 2014.

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Highlights (Continued)

Total employer, employee and state contributions for the year were \$2,402,790, which was 2% greater than the 2014 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 Statement of Fiduciary Net Position is a snap shot of account balances at the fiscal year end of the Plan. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for Plan benefits.

The Plan continues to be evaluated for actuarial soundness by the actuary of the Plan. It should be noted that Plan funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Fiduciary net position at September 30, 2015 was \$30,085,758, a 5% increase from fiduciary net position at September 30, 2014.
- Total investments at September 30, 2015 were \$30,107,584, a 5% increase from the investments at September 30, 2014.

	2015	2014	% Change
Receivables	\$ 62,130	\$ 71,752	(13%)
Prepaid expenses	31,639	-	100%
Investments, at fair value	30,107,584	28,751,946	5%
Total assets	30,201,353	28,823,698	5%
Accounts payable	3,921	3,792	3%
Accounts payable - purchase of investments	58,331	7,165	714%
Deferred revenue	53,343	53,343	0%
Total liabilities	115,595	64,300	80%
Net position	\$ 30,085,758	\$ 28,759,398	5%

Statement of Changes in Fiduciary Net Position

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

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position (Continued)

- Revenues (additions to the fiduciary net position) for the Plan were \$1,787,629, which was made up of employer, employee and state contributions of \$2,402,790 less a net investment loss of \$615,161.
- Expenses (deductions from the fiduciary net position) decreased from \$461,749 during 2014 to \$461,269 in 2015.

	2015	2014	% Change
Total contributions	\$ 2,402,790	\$ 2,354,738	2%
Net investment (loss) income	(615,161)	2,231,133	(128%)
Total additions	1,787,629	4,585,871	(61%)
Total deductions	461,269	461,749	(0%)
Net increase	1,326,360	4,124,122	(68%)
Net position – beginning	28,759,398	24,635,276	17%
Net position – ending	\$ 30,085,758	\$ 28,759,398	5%

Asset Allocation

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2015:

Type of Investment	Investment policy	Actual Allocation
Fixed income	17.5% to 25%	20.00%
Domestic equities	43.75% to 66.25%	50.00%
International equities	7.5% to 12.5%	13.00%
Private real estate fund	0% to 10%	4.00%
Hedge funds	0% to 15%	9.00%
Cash and cash equivalents	0% to 100%	4.00%

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

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Investment Activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board have a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended 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, 2015 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's Financial Management

This financial analysis is designed to provide the Board, Plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the Plan:

Benefits USA, Inc.
c/o City of Aventura Police Officers' Retirement Plan
3810 Inverrary Boulevard, Suite 302
Lauderhill, FL 33319

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

STATEMENTS OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
RECEIVABLES:		
Other receivables	\$ 4,092	\$ 2,358
Accrued investment income	58,038	69,394
TOTAL RECEIVABLES	<u>62,130</u>	<u>71,752</u>
PREPAID EXPENSES	<u>31,639</u>	<u>-</u>
INVESTMENTS, AT FAIR VALUE:		
Common stocks	19,150,605	17,874,904
Government securities	3,639,513	3,249,772
Hedge funds	2,552,416	2,688,588
Corporate bonds	2,296,239	2,021,546
Real estate	1,312,578	1,176,022
Cash and cash equivalents	1,156,233	1,764,752
Options and futures	<u>-</u>	<u>(23,638)</u>
TOTAL INVESTMENTS, AT FAIR VALUE	<u>30,107,584</u>	<u>28,751,946</u>
TOTAL ASSETS	<u>30,201,353</u>	<u>28,823,698</u>
LIABILITIES		
ACCOUNTS PAYABLE	3,921	3,792
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	58,331	7,165
DEFERRED REVENUE	<u>53,343</u>	<u>53,343</u>
TOTAL LIABILITIES	<u>115,595</u>	<u>64,300</u>
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 30,085,758</u>	<u>\$ 28,759,398</u>

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ADDITIONS:		
Contributions:		
Employer	\$ 1,550,643	\$ 1,498,605
Employee	541,792	537,693
Chapter 185	<u>310,355</u>	<u>318,440</u>
Total contributions	<u>2,402,790</u>	<u>2,354,738</u>
Investment (loss) income:		
Net (depreciation) appreciation in fair value of investments	(927,415)	1,977,911
Interest and dividend income	<u>574,155</u>	<u>491,731</u>
Total investment (loss) income	(353,260)	2,469,642
Less: investment expenses	<u>261,901</u>	<u>238,509</u>
Net investment (loss) income	<u>(615,161)</u>	<u>2,231,133</u>
TOTAL ADDITIONS	<u>1,787,629</u>	<u>4,585,871</u>
DEDUCTIONS:		
Benefit payments	382,361	360,589
Refund of contributions	14,800	48,496
Administrative expenses	<u>64,108</u>	<u>52,664</u>
TOTAL DEDUCTIONS	<u>461,269</u>	<u>461,749</u>
NET INCREASE IN NET POSITION	1,326,360	4,124,122
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	<u>28,759,398</u>	<u>24,635,276</u>
End of year	<u>\$ 30,085,758</u>	<u>\$ 28,759,398</u>

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

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

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

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 September 30, 2012.

Accounting Estimates

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

Accounting Principles

The Plan applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

NOTE 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.

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

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, which consists of five members; two of whom shall be legal residents of the City and who shall be appointed by the City Commission from a list provided by the City Manager. Two members of the Board shall be police officers elected by a majority of the police officers who are active participants 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 Participation

At September 30, 2015, Plan participation consisted of the following:

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

Eligibility

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

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.

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

➤ *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*

Participants 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 participant's accrued benefit but not less than 42% of the participant's final monthly compensation as of the date of disability, offset by any other payments, such as worker's compensation. Participants 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 participants 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 participants 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, 2015, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was (1.83)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3. INVESTMENTS

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 3. INVESTMENTS (Continued)

The following was the Board's adopted asset allocation policy as of September 30, 2015:

<u>Type of Investment</u>	<u>Target Allocation</u>
Fixed income	17.5% to 25%
Domestic equities	43.75% to 66.25%
International equities	7.5% to 12.5%
Private real estate fund	0% to 10%
Hedge funds	0% to 15%
Cash and cash equivalents	0% to 100%

During the year ended September 30, 2015, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$927,415 (reported as net depreciation in fair value of investments in the Statement of Changes in Fiduciary net position) as follows:

Government securities	\$ 16,840
Options and futures	13,219
Corporate bonds	(15,323)
Hedge funds	(136,173)
Real estate	105,653
Common stocks	(911,631)
Total	<u><u>\$ (927,415)</u></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</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Corporate bonds	\$ 2,296,239	\$ 101,197	\$ 1,626,150	\$ 568,892	\$ -
U.S. treasuries	2,789,618	912,736	1,296,850	580,032	-
U.S. agencies	849,895	414,222	435,673	-	-
Totals	<u><u>\$ 5,935,752</u></u>	<u><u>\$ 1,428,155</u></u>	<u><u>\$ 3,358,673</u></u>	<u><u>\$ 1,148,924</u></u>	<u><u>\$ -</u></u>

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 3. 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 Plan 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 Plan’s corporate bonds and commercial paper were rated by Moody’s Investors Services as follows

<u>Rating</u>	<u>Fair Value</u>
A1	\$ 573,736
A2	1,062,028
A3	152,510
Aa3	257,458
Aaa	3,639,513
Baa1	126,547
Unrated	123,960
Total	<u>\$ 5,935,752</u>

The Plan 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 Plan’s fiduciary net position is invested in debt securities issued by the United States Treasury. The United States Treasury investments represented 9% 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 \$3,958,791. The investment policy limits the foreign investments to no more than 12.5% of the Plan’s investment balance. As of year-end, the foreign investments were 13% of total investments.

NOTE 4. RISKS AND UNCERTAINTIES

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

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 5. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the Plan at September 30, 2015 were as follows:

Total pension liability	\$ 37,576,051
Plan fiduciary net position	<u>30,138,877</u>
City's net pension liability	<u>\$ 7,437,174</u>
Plan fiduciary net position as a percentage of the total pension liability	80.21%

The total pension liability was determined by an actuarial valuation as of October 1, 2014, 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 Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term expected real rate of return</u>
Domestic Equity	7.65%
International Equity	7.72%
Fixed Income	2.37%
Real Estate	5.09%
Hedge Funds	2.87%

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

NOTE 5. NET PENSION LIABILITY OF THE PLAN (Continued)

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan participant contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the participant rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total Plan 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%. It was also calculated using a discount rate that was 1-percentage-point lower (6.5%) and 1-percentage-point higher (8.5%) and the different computations were compared.

	1% decrease	Current discount rate	1% increase
	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
Net pension liability	\$ 12,558,241	\$ 7,437,175	\$ 3,185,809

NOTE 6. SUBSEQUENT EVENTS

Effective October 1, 2015 the participant contribution rate increased to 10.775% of the participant's earnable compensation.

The Board has evaluated subsequent events through February 10, 2016, the date that the financial statements were available to be issued.

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

SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

SCHEDULES OF ADMINISTRATIVE EXPENSES

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ADMINISTRATIVE EXPENSES:		
Administrative Fees	\$ 14,400	\$ 14,400
Actuarial	12,260	2,538
Miscellaneous	11,947	8,397
Accounting	10,480	8,900
Legal	7,600	13,199
Insurance	<u>7,421</u>	<u>5,230</u>
TOTAL ADMINSTRATIVE EXPENSES	<u>\$ 64,108</u>	<u>\$ 52,664</u>

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS

AS OF SEPTEMBER 30, 2015

(Continued)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarilly determined employer contribution	\$ 1,830,896	\$ 1,828,554	\$ 1,959,557	\$ 1,923,697	\$ 1,895,968	\$ 1,530,134	\$ 1,151,438	\$ 1,169,142	\$ 1,154,250	\$ 1,126,269
Actual employer contribution	<u>1,860,896</u>	<u>1,866,983</u>	<u>1,959,557</u>	<u>1,923,697</u>	<u>1,895,968</u>	<u>1,605,048</u>	<u>1,414,470</u>	<u>1,187,996</u>	<u>1,160,865</u>	<u>1,126,269</u>
Annual contribution deficiency (excess)	<u>\$ (30,000)</u>	<u>\$ (38,429)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (74,914)</u>	<u>\$ (263,032)</u>	<u>\$ (18,854)</u>	<u>\$ (6,615)</u>	<u>\$ -</u>
 Covered-employee payroll*	 <u>\$8,047,155</u>	 <u>\$7,986,695</u>	 <u>\$7,810,732</u>	 <u>\$7,663,687</u>	 <u>N/A</u>	 <u>N/A</u>	 <u>\$6,418,797</u>	 <u>N/A</u>	 <u>\$5,576,592</u>	 <u>N/A</u>
 Actual contributions as a percentage of covered-employee payroll	 23.12%	 23.38%	 25.09%	 25.10%	 N/A	 N/A	 22.04%	 N/A	 20.82%	 N/A
*Estimated payroll										

Actuarial cost method	Entry age normal cost
Amortization method	Level dollar
Remaining amortization period	21 years
Asset valuation method	5-year smoothed market
Inflation:	3.00%
Salary increases	5.00%
Investment rate of return	7.50%
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

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

AS OF SEPTEMBER 30, 2015

Year Ended <u>September 30</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2015	(1.83%)
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%

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

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

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

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:		
Service Cost	\$ 1,896,180	\$ 1,732,252
Interest	2,727,885	2,238,129
Benefit Changes	2,797,541	-
Difference between actual and expected experience	(1,326,392)	-
Benefit Payments	<u>(394,472)</u>	<u>(409,085)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	5,700,742	3,561,296
TOTAL PENSION LIABILITY - BEGINNING	<u>31,875,309</u>	<u>28,314,013</u>
TOTAL PENSION LIABILITY - ENDING	<u>37,576,051</u>	<u>31,875,309</u>
 PLAN FIDUCIARY NET POSITION:		
Contributions - Employer and State	1,860,997	1,866,983
Contributions - Employee	541,792	541,099
Net investment (loss) income	(614,811)	2,199,131
Benefit Payments	(394,472)	(409,085)
Administrative expenses	<u>(66,115)</u>	<u>(55,897)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,327,391	4,142,231
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>28,811,486</u>	<u>24,669,255</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>30,138,877</u>	<u>28,811,486</u>
 NET PENSION LIABILITY - ENDING	<u>\$ 7,437,174</u>	<u>\$ 3,063,823</u>
 PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	80.21%	90.39%
 COVERED EMPLOYEE PAYROLL	\$ 8,047,155	\$ 7,986,695
 NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	92.42%	38.36%

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

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

COMPLIANCE REPORT

SEPTEMBER 30, 2015

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

Board of Trustees
City of Aventura Police Officers' Retirement Plan
Aventura, 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 City of Aventura Police Officers' Retirement Plan (Plan), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated February 10, 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 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.

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(Continued)

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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan'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.

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

Miami, Florida
February 10, 2016