

**CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS
RETIREMENT SYSTEM**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

YEAR ENDED SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
City of Wilton Manors Volunteer Firefighters Retirement System

We have audited the accompanying financial statements of the City of Wilton Manors Volunteer Firefighters Retirement System, which comprise the statement of fiduciary net position as of September 30, 2018, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Wilton Manors Volunteer Firefighters Retirement System as of September 30, 2018, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Prior Year Comparative Information

We have previously audited the City of Wilton Manors Volunteer Firefighters Retirement System's 2017 financial statements, and our report dated February 26, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year end September, 30, 2017, 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 on pages 4-7 and the schedules of contributions from the State and other contributors, schedule of investment returns and schedules of changes in the State's net pension liability and related ratios on pages 20-23 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, who 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2019, on our consideration of the City of Wilton Manors Volunteer Firefighters Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness the City of Wilton Manors Volunteer Firefighters Retirement System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Wilton Manors Volunteer Firefighters Retirement System's internal control over financial reporting and compliance.

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

Weston, Florida
April 24, 2019

CITY OF WILTON MANORS

VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents Management's Discussion and Analysis (MD&A) of the City of Wilton Manors Volunteer Firefighters Retirement System's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2018. Please read it in conjunction with the Plan's financial statements, which immediately follow.

General Overview of the Plan

The City of Wilton Manors Volunteer Firefighters Retirement System is a single-employer defined benefit plan established by the City of Wilton Manors, Florida pursuant to the provisions and requirements of Chapter 21 of the City's Code of Ordinances.

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

Overview of the Financial Statements

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

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

The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation of assets is recognized in the statement of changes in fiduciary net position. All assets and liabilities associated with the operation of the Plan are included in the statement of fiduciary net position.

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

Financial Highlights

The Plan's net results from operations for fiscal year 2018 reflected the following financial activities:

- Total fiduciary net position was \$1,798,858, which was 9% greater than the 2017 total fiduciary net position.
- Total contributions were \$87,830 which was 6% lower than the 2017 contributions.
- Total interest and dividend earnings were \$12,569, which was 65% less than the 2017 earnings.
- Net investment income was \$187,918, which was 15% greater than 2017 net investment income.
- Benefits paid were \$93,863, which was 1% greater than the benefits paid during 2017.

CITY OF WILTON MANORS

VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Fiduciary Net Position

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

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

- Fiduciary net position at September 30, 2018 was \$1,796,858, a 9% increase from fiduciary net position at September 30, 2017.
- Total investments at September 30, 2018 were \$1,706,720, a 9% increase from the investments at September 30, 2017.

The table below presents condensed comparative statements of fiduciary net position as of September 30:

| | 2018 | 2017 | % Change |
|--------------------------------------|--------------|--------------|----------|
| Receivables | \$ 90,404 | \$ 93,880 | (4%) |
| Investments, at fair value | 1,706,720 | 1,561,248 | 9% |
| Total assets | 1,797,124 | 1,655,128 | 9% |
| Accounts payable | 266 | - | 100% |
| Net position restricted for pensions | \$ 1,796,858 | \$ 1,655,128 | 9% |

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.

- Revenues (additions to the fiduciary net position) for the Plan were \$275,748, which was made up of State contributions of \$87,830 plus net investment income of \$187,918.
- Expenses (deductions from the fiduciary net position) increased from \$130,184 during 2017 to \$134,018 in 2018.

CITY OF WILTON MANORS

VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position (Continued)

The table below presents a condensed comparative of the changes in fiduciary net position for the year ended September 30:

| | 2018 | 2017 | % Change |
|--|--------------|--------------|----------|
| Total contributions | \$ 87,830 | \$ 93,880 | (6%) |
| Net investment income | 187,918 | 163,275 | 15% |
| Total additions | 275,748 | 257,155 | 7% |
| Total deductions | 134,018 | 130,184 | 3% |
| Net increase | 141,730 | 126,971 | 12% |
| Net position restricted for pensions - beginning | 1,655,128 | 1,528,157 | 8% |
| Net position restricted for pensions - ending | \$ 1,796,858 | \$ 1,655,128 | 9% |

Asset Allocation

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2018:

| Type of Investment | Investment policy | Actual Allocation |
|---------------------------|-------------------|-------------------|
| Domestic equities | 25%-75% | 64% |
| Fixed income | 25%-50% | 33% |
| Cash and cash equivalents | 0%-20% | 3% |

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 Board has a fiduciary responsibility to act prudently when making Plan investment decisions. To assist the Board in this area, the Plan has a management agreement with the City of Wilton Manors Pension Plan for General Employees and Police Plan (Employees and Police Plan) to keep custody and manage the assets of the Plan. Through this management agreement with the Employees and Police Plan, the Board is able to rely on investment managers who supervise and direct the investment of the assets, as well as rely on an investment monitor to evaluate and report on a quarterly basis compliance by the investment managers with the investment performance of the investments held by the Plan. The investment policy statement was last amended during December 2017.

CITY OF WILTON MANORS

VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Investment Activities (Continued)

The Board relies on the investment consultant of the Employees and Police Plan to 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, 2018 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's Financial Management

This financial analysis is designed to provide the Board, Plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the City of Wilton Manors Volunteer Firefighters Retirement System, 2020 Wilton Drive, Wilton Manors, FL 33305.

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2017)

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| RECEIVABLES: | | |
| State contributions receivable | \$ 87,830 | \$ 93,880 |
| Accrued investment income | <u>2,574</u> | <u>-</u> |
| TOTAL RECEIVABLES | <u>90,404</u> | <u>93,880</u> |
| INVESTMENTS, AT FAIR VALUE: | | |
| Money market funds | 46,090 | 54,117 |
| Equity securities | 1,098,371 | 941,111 |
| Government securities | 344,379 | 431,919 |
| Corporate bonds | 156,788 | 75,350 |
| Fixed income mutual fund | <u>61,092</u> | <u>58,751</u> |
| TOTAL INVESTMENTS, AT FAIR VALUE | <u>1,706,720</u> | <u>1,561,248</u> |
| TOTAL ASSETS | <u>1,797,124</u> | <u>1,655,128</u> |
| LIABILITIES | | |
| ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS | <u>266</u> | <u>-</u> |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| NET POSITION RESTRICTED FOR PENSIONS: | | |
| Net position restricted for defined benefits | 1,161,766 | 1,107,866 |
| Net position restricted for share benefits | 43,915 | - |
| Net position restricted for the funding standard account | <u>591,177</u> | <u>547,262</u> |
| TOTAL NET POSITION RESTRICTED FOR PENSIONS | <u>\$ 1,796,858</u> | <u>\$ 1,655,128</u> |

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

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| ADDITIONS: | | |
| State contributions | \$ 87,830 | \$ 93,880 |
| Investment income: | | |
| Net appreciation in fair value of investments | 175,349 | 127,605 |
| Interest and dividend income | 12,569 | 35,670 |
| Net investment income | <u>187,918</u> | <u>163,275</u> |
| TOTAL ADDITIONS | <u>275,748</u> | <u>257,155</u> |
| DEDUCTIONS: | | |
| Benefit payments | 93,863 | 93,206 |
| Administrative expenses | 40,155 | 36,978 |
| TOTAL DEDUCTIONS | <u>134,018</u> | <u>130,184</u> |
| NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS | 141,730 | 126,971 |
| NET POSITION RESTRICTED FOR PENSIONS - BEGINNING | <u>1,655,128</u> | <u>1,528,157</u> |
| NET POSITION RESTRICTED FOR PENSIONS - ENDING | <u>\$ 1,796,858</u> | <u>\$ 1,655,128</u> |

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

CITY OF WILTON MANORS

VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

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

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the City of Wilton Manors Volunteer Firefighters Retirement System's gains and losses on investments bought and sold as well as held during the year.

Basis of Accounting and Use of Estimates

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

Comparative Information

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail in the notes to financial statements 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 City of Wilton Manor's Volunteer Firefighter Retirement System's financial Statements for the year ended September 30, 2017, from which the information was derived. Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the City of Wilton Manors Volunteer Firefighters Retirement System (the Plan) provides only general information. Participants should refer to the City of Wilton Manors, Florida's (the City) ordinance for more complete information.

General

The City of Wilton Manors Volunteer Firefighters Retirement System is a single-State defined benefit plan established by the City pursuant to the provisions and requirements of Chapter 21 of the City's Code of Ordinances. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

The Plan is administered by a board of five trustees comprised of one volunteer firefighter appointed by the City Commission; one resident of the City appointed by the City commission; two volunteer firefighters elected by the other volunteer firefighters and a fifth member elected by the other four trustees.

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Plan Membership

At September 30, 2018, Plan membership consisted of the following:

| | |
|---|------------------|
| Inactive Plan participants or beneficiaries currently receiving benefits | 9 |
| Active Plan participants | <u>1</u> |
| Total plan participants | <u><u>10</u></u> |

Participant Contributions

Participants are not required to contribute to the Plan and benefits are not compensation related.

City and State Contributions

Pursuant to Florida Statutes, Chapter 175, contributions from the State of Florida Department of Insurance consist of an excise tax imposed by the State of Florida upon certain casualty insurance companies on the gross amount of receipts of premiums from policy holders on all premiums collected on casualty insurance policies covering property within the City.

Normal Retirement Benefits

The normal retirement date for a participant shall be the first day of the month coinciding with or following the attainment of the earlier of the participant's 55th birthday, or the participant's 50th birthday and completion of 20 years of continuous service as an active participant of the Wilton Manors Volunteer Fire Department. A participant will be 100% vested at the attainment of the participant's normal retirement date regardless of any other provisions of the Plan. Participants will receive a monthly pension benefit equal to \$56 (\$50 prior to November 14, 2006) multiplied by the years of creditable service.

Share Plan

Effective May 10, 2016, the Plan and the City agreed to create a share plan for the allocation of future premium tax revenues once the Plan is at least 100% funded. Once the Plan is 100% funded, then 50% of available future premium tax revenues would be allocated to the share plan. At September 30, 2018, the Plan was 100.5% funded; therefore, 50% of the state contribution was allocated to the share plan, and the other 50% was allocated to the defined benefit portion of the Plan.

Additionally, when the total market value of the Plan is at least 110% of the actuarial present value of benefits, 100% of the state contribution received for the following year will be allocated towards the share plan.

CITY OF WILTON MANORS

VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Rate of Return

For the year ended September 30, 2018, the annual money-weighted rate of return on the Plan investments, net of Plan investment expense, was 14.55%. 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 during December 2017. The following was the Board's adopted asset allocation policy as of September 30, 2018:

| <u>Type of Investment</u> | <u>Target Allocation</u> |
|---------------------------|--------------------------|
| Domestic equities | 25%-75% |
| Fixed income | 25%-50% |
| Cash and cash equivalents | 0%-20% |

During the year ended September 30, 2018 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$175,349 (reported as net appreciation in fair value of investments in the accompanying statement of changes in fiduciary net position) as follows:

| | |
|---------------------------|--------------------------|
| Equity mutual funds | \$ 185,347 |
| Corporate bonds | (849) |
| Fixed income mutual funds | (332) |
| Government securities | <u>(8,817)</u> |
| Total | <u><u>\$ 175,349</u></u> |

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

CITY OF WILTON MANORS

VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

NOTE 3. INVESTMENTS (Continued)

The Plan's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan's investments in government securities and corporate bonds had maturities as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less than 1</u> | <u>1 to 5</u> | <u>6 to 10</u> | <u>More than 10</u> |
|--------------------------|-------------------|--------------------|------------------|------------------|---------------------|
| U.S. treasuries | \$ 231,632 | \$ - | \$ 23,368 | \$ 208,264 | \$ - |
| U.S. agencies | 112,747 | 67,617 | - | 17,454 | 27,676 |
| Corporate bonds | 156,788 | 15,585 | 126,860 | 14,343 | - |
| Fixed income mutual fund | 61,092 | 24,357 | 29,691 | 1,289 | 5,755 |
| Totals | <u>\$562,259</u> | <u>\$ 107,559</u> | <u>\$179,919</u> | <u>\$241,350</u> | <u>\$ 33,431</u> |

The term "credit risk" is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Plan's fixed income portfolio was rated by Moody's Investors Services as follows:

| <u>Rating</u> | <u>Fair Value</u> |
|-------------------------------|-------------------|
| Aaa | \$ 324,774 |
| Aa1 | 20,331 |
| A1 | 66,362 |
| A2 | 60,041 |
| A3 | 27,787 |
| Baa1 | 11,748 |
| Ba1 | 360 |
| Unrated government securities | 50,856 |
| Total | <u>\$562,259</u> |

The Plan limits investment in the securities of any one issuer, other than the U.S. Government and its agencies, to no more than 5% of net fiduciary position. The Plan had three investment that exceeded 5% as of September 30, 2018 which included: the Vanguard Russell 1000 Index fund, the Eaton Vance Atlanta Capital Fund, and the Vanguard Mid-Cap Value Admiral Fund.

NOTE 4. FAIR VALUE MEASUREMENTS

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

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

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

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

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

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

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

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

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

Money market funds: Valued at the floating net asset value of shares held by the Plan at year end.

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CITY OF WILTON MANORS

VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2018:

| | <u>Total</u> | <u>Fair Value Measurements Using</u> | | |
|--|---------------------|---|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| <u>Investments by fair value level</u> | | | | |
| Equity securities: | | | | |
| Mutual funds | \$ 1,098,371 | \$ 1,098,371 | \$ - | \$ - |
| Debt securities: | | | | |
| U.S. treasury securities | 231,632 | 231,632 | - | - |
| U.S. agency securities | 112,747 | - | 112,747 | - |
| Corporate bonds | 156,788 | - | 156,788 | - |
| Fixed income mutual fund | 61,092 | 61,092 | - | - |
| Total debt securities | <u>562,259</u> | <u>292,724</u> | <u>269,535</u> | <u>-</u> |
| Total investments by fair value level | 1,660,630 | <u>\$ 1,391,095</u> | <u>\$ 269,535</u> | <u>\$ -</u> |
| Money market funds (exempt) ^(a) | <u>46,090</u> | | | |
| Total investments | <u>\$ 1,706,720</u> | | | |

(a) As required by GAAP, certain investments have not been classified in the fair value hierarchy. The fair value amounts presented in the previous table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the statement of fiduciary net position.

NOTE 5. RISKS AND UNCERTAINTIES

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

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

CITY OF WILTON MANORS

VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

NOTE 6. NET PENSION ASSET OF THE PLAN

The components of the net pension asset of the City at September 30, 2018 were as follows:

| | |
|---|---------------------|
| Total pension liability | \$ 1,692,619 |
| Plan fiduciary net position | <u>1,796,858</u> |
| City's net pension asset | <u>\$ (104,239)</u> |
| | |
| Plan fiduciary net position as a percentage of the total pension asset | 106.16% |

The total pension asset was determined by an actuarial valuation as of October 1, 2017, using certain actuarial assumptions, and rolled forward to the measurement date of September 30, 2018.

Mortality rates were based on the RP-2000 mortality tables with blue collar adjustments and generational projections using scale BB as used by the Florida Retirement System for the Special Risk Class members in the July 1, 2017 actuarial valuation.

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, 2018 (see the discussion of the Plan's investment policy) are summarized in the following table:

| <u>Asset Class</u> | <u>Long-term expected real rate of return</u> |
|---------------------------|---|
| U.S. Large Cap Equity | 7.00% |
| U.S. Small/Mid Cap Equity | 7.50% |
| International Equity | 8.00% |
| U.S. Aggregate Bond | 4.50% |
| U.S. Direct Equity | 7.25% |
| Absolute Return | 6.00% |
| Global Infrastructure | 6.75% |

A single discount rate of 6.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on Plan investments of 6.00%. 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 the total actuarially determined contribution rates and the member rate. Based on these assumptions, the 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 Plan investments (6.00%) was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

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

Regarding the sensitivity of the net pension asset to changes in the discount rate, the following presents the Plan's net pension liability, calculated using a single discount rate of 6.0%, as well as the Plan's net pension liability would be if it were calculated using a single discount rate that was 1-percentage-point lower (5.0%) and 1-percentage-point higher (7.0%):

| | 1% decrease <u>(5.0%)</u> | Current discount rate <u>(6.0%)</u> | 1% increase <u>(7.0%)</u> |
|-------------------------------|------------------------------|---|------------------------------|
| Net pension (asset) liability | \$ 88,681 | \$ (104,239) | \$ (264,330) |

NOTE 7. MANAGEMENT AGREEMENT

The Plan has an agreement with the City of Wilton Manors Pension Plan for General Employees' and Police Officers' (Employees and Police Plan) to keep custody of and manage the assets and liabilities of the Plan. The Employees and Police Plan is providing this service as an accommodation and does not incur any fiduciary obligation to the Plan separate and apart from the fiduciary responsibility of the professional custodian and money managers to the Plan.

As of September 30, 2018, the Employees and Police Plan held \$1,709,028 of net assets on behalf of the Plan. This amount consisted of total investments at fair market value of \$1,706,720, receivables of \$2,574, and liabilities of \$266.

NOTE 8. FUNDING STANDARD ACCOUNT

Pursuant to Florida Statute 175, the Funding Standard Account (FSA) was initialized in 2016 and is used to receive State contributions which are allocated to the Plan and to cover the required contributions into the system. The account replaced the reserve account from prior years due to change in legislation.

NOTE 9. INCOME TAXES

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

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the plan has taken an uncertain position that more 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.

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Plan through April 24, 2019, the date the financial statements were available to be issued.

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|------------------|------------------|
| ADMINISTRATIVE EXPENSES: | | |
| Accounting | \$ 11,675 | \$ 8,968 |
| Actuarial fees | 19,342 | 19,452 |
| Administrative fees | 888 | 708 |
| Insurance | 1,600 | 1,600 |
| Legal | <u>6,650</u> | <u>6,250</u> |
| TOTAL ADMINISTRATIVE EXPENSES | <u>\$ 40,155</u> | <u>\$ 36,978</u> |

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

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

SCHEDULES OF CONTRIBUTIONS FROM THE STATE AND OTHER CONTRIBUTORS
(UNAUDITED)

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined State contribution | \$ 92,659 | \$ 91,007 | \$ 78,859 | \$ 80,349 | \$ 79,117 |
| Actual State contribution | <u>87,830</u> | <u>93,880</u> | <u>85,547</u> | <u>85,547</u> | <u>85,547</u> |
| Annual contribution excess | <u>\$ 4,829</u> | <u>\$ (2,873)</u> | <u>\$ (6,688)</u> | <u>\$ (5,198)</u> | <u>\$ (6,430)</u> |
| Covered-employee payroll | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Actual contributions as a percentage of covered-employee payroll | N/A | N/A | N/A | N/A | N/A |

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age normal |
| Amortization method | Level Dollar, Closed |
| Remaining amortization period | 15 years |
| Asset valuation method | 5-year smoothed market |
| Salary increases | N/A |
| Investment rate of return | 6.00% |
| Retirement age | 100% retirement one half year after reaching age 55 or age 50 with 20 years of service. |
| Mortality | RP-2000 mortality tables with blue collar adjustments and generational projections using scale BB as used by the Florida Retirement System for the Special Risk Class members in the July 1, 2017 actuarial valuation. |

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

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

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

| Year Ended <u>September 30,</u> | Annual money- weighted rate of return net of investment <u>expense</u> |
|------------------------------------|--|
| 2018 | 14.55% |
| 2017 | 4.20% |
| 2016 | 4.41% |
| 2015 | (5.90%) |
| 2014 | 11.96% |
| 2013 | 9.69% |
| 2012 | 17.89% |
| 2011 | (1.12%) |
| 2010 | 8.05% |
| 2009 | 0.95% |

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

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|--------------------|-------------------|-------------------|
| TOTAL PENSION LIABILITY: | | | |
| Service cost | \$ 3,548 | \$ 2,785 | \$ 2,784 |
| Interest | 96,276 | 136,401 | 132,943 |
| Difference between actual and expected experience | (5,234) | (547,430) | (7,955) |
| Assumption changes | - | 157,023 | - |
| Benefit payments | (93,863) | (93,206) | (79,458) |
| Other - increase in Share Plan reserve | <u>43,915</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN TOTAL PENSION LIABILITY | 44,642 | (344,427) | 48,314 |
| TOTAL PENSION LIABILITY - BEGINNING | <u>1,647,977</u> | <u>1,992,404</u> | <u>1,944,090</u> |
| TOTAL PENSION LIABILITY - ENDING | <u>1,692,619</u> | <u>1,647,977</u> | <u>1,992,404</u> |
| PLAN FIDUCIARY NET POSITION: | | | |
| Contributions - State | 87,830 | 93,880 | 113,066 |
| Net investment income (loss) | 187,918 | 163,275 | 114,245 |
| Benefit payments | (93,863) | (93,206) | (79,458) |
| Administrative expenses | <u>(40,155)</u> | <u>(36,978)</u> | <u>(23,065)</u> |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION | 141,730 | 126,971 | 124,788 |
| PLAN FIDUCIARY NET POSITION - BEGINNING | <u>1,655,128</u> | <u>1,528,157</u> | <u>1,403,369</u> |
| PLAN FIDUCIARY NET POSITION - ENDING | <u>1,796,858</u> | <u>1,655,128</u> | <u>1,528,157</u> |
| NET PENSION (ASSET) LIABILITY - ENDING | <u>\$(104,239)</u> | <u>\$ (7,151)</u> | <u>\$ 464,247</u> |
| PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION (ASSET) LIABILITY | 106.16% | 100.43% | 76.70% |
| COVERED EMPLOYEE PAYROLL | N/A | N/A | N/A |
| NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL | N/A | N/A | N/A |

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

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

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

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

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| TOTAL PENSION LIABILITY: | | |
| Service cost | \$ 2,781 | \$ 3,420 |
| Interest | 127,765 | 124,087 |
| Difference between actual and expected experience | 28,813 | 50,183 |
| Assumption changes | 172,401 | - |
| Benefit payments | <u>(76,201)</u> | <u>(73,671)</u> |
| NET CHANGE IN TOTAL PENSION LIABILITY | 255,559 | 104,019 |
| TOTAL PENSION LIABILITY - BEGINNING | <u>1,688,531</u> | <u>1,584,512</u> |
| TOTAL PENSION LIABILITY - ENDING | <u>1,944,090</u> | <u>1,688,531</u> |
| PLAN FIDUCIARY NET POSITION: | | |
| Contributions - State | 143,468 | 162,399 |
| Net investment income (loss) | (78,303) | 157,260 |
| Benefit payments | (76,201) | (73,671) |
| Administrative expenses | <u>(40,557)</u> | <u>(27,489)</u> |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION | (51,593) | 218,499 |
| PLAN FIDUCIARY NET POSITION - BEGINNING | <u>1,454,962</u> | <u>1,236,463</u> |
| PLAN FIDUCIARY NET POSITION - ENDING | <u>1,403,369</u> | <u>1,454,962</u> |
| NET PENSION (ASSET) LIABILITY - ENDING | <u>\$ 540,721</u> | <u>\$ 233,569</u> |
| PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION (ASSET) LIABILITY | 72.19% | 86.17% |
| COVERED EMPLOYEE PAYROLL | N/A | N/A |
| NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL | N/A | N/A |

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

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

CITY OF WILTON MANORS
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

COMPLIANCE REPORT

SEPTEMBER 30, 2018

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

To the Board of Trustees of the
City of Wilton Manors Volunteer Firefighters Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the City of Wilton Manors Volunteer Firefighters Retirement System, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Wilton Manors Volunteer Firefighters Retirement System's basic financial statements, and have issued our report thereon dated April 24, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wilton Manors Volunteer Firefighters Retirement System'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 City of Wilton Manors Volunteer Firefighters Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wilton Manors Volunteer Firefighters Retirement System'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 Plan's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wilton Manors Volunteer Firefighters Retirement System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Wilton Manors Volunteer Firefighters Retirement System's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Wilton Manors Volunteer Firefighters Retirement System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Weston, Florida
April 24, 2019