



**City of Hollywood Police Officers  
Retirement System**

**Financial Statements  
Years Ended September 30, 2014 and 2013**



**City of Hollywood Police Officers Retirement System**  
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## Independent Auditors' Report

Board of Trustees  
City of Hollywood Police Officers Retirement System  
Hollywood, Florida

We have audited the accompanying financial statements of fiduciary net position of the City of Hollywood Police Officers Retirement System (the "Fund") 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United State 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 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 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 position of the City of Hollywood Police Officers Retirement System as of September 30, 2014 and 2013, and changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## Independent Auditors' Report (continued)

### Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2014, the Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The financial statements as of and for the year ended September 30, 2013 were restated due to the implementation of GASB Statement No. 67. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules included under Required Supplementary 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 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 Supplemental Information*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Fund. The accompanying Supplemental Schedules of investment expenses and administrative expenses as listed in the accompanying table of contents are presented for purposes or additional analysis and are not a required part of the basic financial statements. The other Supplemental Schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 auditing 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.

*Goldstein Schechter Koch, P.A.*

Hollywood, Florida  
February 20, 2015



# **CITY OF HOLLYWOOD, FLORIDA**

## **POLICE OFFICERS' RETIREMENT SYSTEM**

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### **Management's Discussion and Analysis** **(Required Supplementary Information - Unaudited)** **September 30, 2014 and 2013**

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Our discussion and analysis of the City of Hollywood Police Officers Retirement System (the "Fund") financial performance provides an overview of the Fund's financial activities for the fiscal years ended September 30, 2014 and 2013. The Share Plan was created to implement the provisions of Chapter 185, Florida Statutes. Please read it in conjunction with the financial statements, which follow this discussion.

#### *Financial Highlights*

- The Fund's assets exceeded its liabilities at the close of fiscal years ended September 30, 2014 and 2013 by \$251,192,893 and \$238,172,878 respectively (reported as net position restricted for pensions). Net position represents funds available to pay current and future benefit payments. The increases of \$13,020,015 and \$9,897,145 of the respective years have resulted primarily from the changes in the fair value of the Fund's investments due to volatile financial markets.

- Receivables at September 30, 2014 increased by \$737,069 (or 23.2%) primarily due to an increase of deferred retirement option plan's loans receivable.

Receivables at September 30, 2013 decreased by \$342,992 (or 9.8%) primarily due to a decrease in the receivable for securities sold.

- For the fiscal year ended September 30, 2014, liabilities decreased by \$1,737,622 (or 39.5%) primarily due to a decrease in benefits payable.

For the fiscal year ended September 30, 2013, liabilities decreased by \$86,829 (or 1.9%) primarily due to a decrease in prepaid contributions.

- For the fiscal year ended September 30, 2014, employer (City) contributions to the Fund increased \$1,635,215 (17.1%) based on the actuarial calculation. Actual employer contributions were \$11,209,547 and \$9,573,932 for 2014 and 2013, respectively.

For the fiscal year ended September 30, 2013, employer (City) contributions to the Fund increased \$505,658 (or 5.6%) based on the actuarial calculation. Actual employer contributions were \$9,573,932 and \$9,068,274 for 2013 and 2012, respectively.

**Management's Discussion and Analysis  
(Required Supplementary Information - Unaudited)  
September 30, 2014 and 2013**

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*Financial Highlights - continued*

- For the fiscal year ended September 30, 2014, state contributions to the Fund increased \$19,607 (or 1.6%). Actual state contributions were \$1,269,750 and \$1,250,143 for 2014 and 2013, respectively.

For the fiscal year ended September 30, 2013, state contributions to the Fund increased \$138,503 (or 12.5%). Actual state contributions were \$1,250,143 and \$1,111,640 for 2013 and 2012, respectively.

- For the fiscal year ended September 30, 2014, employee contributions including buybacks increased by \$45,078 (or 3.4%). Actual employee contributions and buybacks were \$1,369,100 and \$1,324,022 for 2014 and 2013, respectively. Employee contributions have fluctuated from year to year, based on the number of active members and changes in the rate of employee contributions.

For the fiscal year ended September 30, 2013, employee contributions including buybacks decreased by \$52,700 (or 3.8%). Actual employee contributions and buybacks were \$1,324,022 and \$1,376,722 for 2013 and 2012, respectively. Employee contributions have fluctuated from year to year, based on the number of active members and changes in the rate of employee contributions.

- For the fiscal year ended September 30, 2014, net investment income increased by \$400,469. Actual results were \$18,344,204 and \$17,413,256 of net appreciation in fair value of investments for 2014 and 2013, respectively, and \$5,801,920 and \$6,220,770 of income from interest and dividends for 2014 and 2013, respectively. Investment expenses increased by \$111,359 or (10.5%).

For the fiscal year ended September 30, 2013, net investment income decreased by \$12,012,045. Actual results were \$17,413,256 and \$29,172,204 of net appreciation in fair value of investments for 2013 and 2012, respectively, and \$6,220,770 and \$6,392,846 of income from interest and dividends for 2013 and 2012, respectively. Investment expenses increased by \$81,291 or (8.3%).

- For the fiscal year ended September 30, 2014, benefit payments and participants' contributions refunded decreased by \$1,045,720 (or 4.3%) primarily due to a decrease in 13<sup>th</sup> check distributions.

For the fiscal year ended September 30, 2013, benefit payments and participants' contributions refunded increased by \$5,639,355 (or 30.4%) primarily due to a distribution of a 13<sup>th</sup> check.

- For the fiscal year ended September 30, 2014, administrative expenses increased \$23,619 from 2013 (or 3.6%) primarily due to an increase in fees for professional services.

For the fiscal year ended September 30, 2013, administrative expenses increased \$87,394 from 2012 (or 15.2%) primarily due to an increase in fees for professional services.

*Fund Highlights*

For the fiscal year ended September 30, 2014, the return of the portfolio, net of fees was 9.92% for the trailing year and ranked in the top 45 percentile. Actual net investment income in 2014 was \$23,583,464 compared with a net investment income of \$22,575,835 in 2013.

**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**  
**September 30, 2014 and 2013**

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*Fund Highlights- continued*

For the fiscal year ended September 30, 2013, the return of the portfolio, net of fees was 9.95% for the trailing year and ranked in the top 83rd percentile. Actual net investment income in 2013 was \$22,575,835 compared with a net investment income of \$34,587,880 in 2012.

*Overview of the Financial Statements*

The basic financial statements include the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position and Notes to the Financial Statements. The Fund also includes in this report additional information to supplement the financial statements.

The Fund presents required supplementary schedules, which provide historical trend information about the Fund.

The Fund prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. These statements provide information about the Fund's overall financial status.

*Description of the Financial Statements*

The *Statement of Fiduciary Net Position* presents information that includes all of the Fund's assets and liabilities, with the balance representing the Net Position Restricted for Pensions. It is a snapshot of the financial position of the Fund at that specific point in time and reflects the resources available to pay employees, retirees and beneficiaries at that point in time.

The *Statement of Changes in Fiduciary Net Position* reports how the Fund's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plans from employer, state and employees and net investment income (loss), which include interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The *Notes to the Financial Statements* are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Fund, contributions, significant accounting policies, funding policy, and investment risk disclosure.

There is also *Required Supplementary Information* included in this report as required by the Governmental Accounting Standards Board. These schedules consist of the Fund's actuarial methods and assumptions and provide data on changes in the City's net pension liability, the City's contributions, and the Fund's investment returns.

Additional information is presented as part of *Other Supplemental Schedules*. This section is not required but management has chosen to include it. It includes *Schedules of Investment Expenses and Administrative Expenses*. The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the Fund and includes financial management, consultant, and custodial fees. The *Schedule of Administrative Expenses* presents the expenses incurred in the administration of the Fund.

**Management's Discussion and Analysis  
(Required Supplementary Information - Unaudited)  
September 30, 2014 and 2013**

*Condensed Statements of Fiduciary Net Position*

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

	2014	2013 (restated)	2012 (restated)
Cash and cash equivalents	\$ 3,051,193	\$ 3,692,603	\$ 6,534,757
Receivables	3,911,414	3,174,345	3,517,337
Prepaid expenses	-	25,728	-
Investments	246,888,581	235,676,119	222,706,385
Total assets	253,851,188	242,568,795	232,758,479
Liabilities	2,658,295	4,395,917	4,482,746
Net position restricted for pensions	\$ 251,192,893	\$ 238,172,878	\$ 228,275,733

*Condensed Statements of Changes in Fiduciary Net Position*

The table below reflects a condensed comparative statement summarizing the changes in fiduciary net position and reflects the activities of the Fund for the fiscal years ended September 30:

	2014	2013 (restated)	2012 (restated)
<b>Additions:</b>			
Contributions			
City	\$ 11,209,547	\$ 9,573,932	\$ 9,068,274
Employee	1,341,148	1,324,022	1,364,978
State	1,269,750	1,250,143	1,111,640
Buybacks	27,952	-	11,744
Total	13,848,397	12,148,097	11,556,636
Net investment income	22,976,304	22,575,835	34,587,880
Total additions	36,824,701	34,723,932	46,144,516
<b>Deductions:</b>			
Benefits paid	22,993,671	23,924,413	18,313,902
Participants' contributions refunded	126,781	241,759	212,915
Administrative expenses	684,234	660,615	573,221
Total deductions	23,804,686	24,826,787	19,100,038
Net increase	13,020,015	9,897,145	27,044,478
Net position restricted for pensions at beginning of year, as restated	238,172,878	228,275,733	201,231,255
Net position restricted for pensions at end of year	\$ 251,192,893	\$ 238,172,878	\$ 228,275,733

The Fund's investment activities, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns for fiscal year 2014 increased from fiscal year ended September 30, 2013 and decreased from fiscal year 2012.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

**Management's Discussion and Analysis  
(Required Supplementary Information - Unaudited)  
September 30, 2014 and 2013**

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*Asset Allocation*

At the end of the fiscal year September 30, 2014, the domestic equity portion comprised 51.9% (\$129,725,201) of the total portfolio. The allocation to fixed income securities was 39.2% (\$98,024,996), while cash and cash equivalents comprised 1.2% (\$3,051,193). The portion allocated to international equity was 1.1% (\$2,656,568). The allocation to real estate was 6.6% (\$16,481,816).

At the end of the fiscal year September 30, 2013, the domestic equity portion comprised 53.57% (\$128,227,152) of the total portfolio. The allocation to fixed income securities was 39.22% (\$93,881,331), while cash and cash equivalents comprised 1.54% (\$3,692,603). The portion allocated to international equity was 0.74% (\$1,776,113). The allocation to real estate was 4.93% (\$11,791,523).

The target asset allocation was as follows as of September 30:

	<b>2014</b>	2013
Domestic equity	<b>50%</b>	50%
Fixed income	<b>39%</b>	39%
Cash	4%	4%
Real estate	<b>7%</b>	7%
International equity	<b>0%</b>	0%
Other	<b>0%</b>	0%

*Contacting the Fund's Financial Management*

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Fund finances and to demonstrate accountability for the money they receive. If you have any questions about this report or need additional financial information, contact the City of Hollywood Police Officers Retirement System, 4205 Hollywood Boulevard, Suite 4, Hollywood, FL 33021.

**City of Hollywood Police Officers Retirement System**  
**Statement of Fiduciary Net Position**  
**September 30, 2014 and 2013**

	2014	2013 Restated
<b>Assets</b>		
Cash and cash equivalents	\$ 3,051,193	\$ 3,692,603
Receivables:		
State contributions receivable	1,269,750	1,250,143
Accrued interest and dividends	983,025	990,382
Receivable for securities sold	574,177	19,927
DROP loans receivable	1,084,462	913,893
Total receivables	3,911,414	3,174,345
Prepaid expenses	-	25,728
Investments, at fair value:		
Domestic equity securities	108,234,413	109,006,587
International equity securities	2,656,568	1,776,113
Corporate bonds and notes	72,299,116	74,084,430
U.S. government securities	20,182,583	17,455,150
Foreign bonds	5,543,297	2,341,751
Domestic equity funds	21,490,788	19,220,565
Real estate	16,481,816	11,791,523
Total investments	246,888,581	235,676,119
<b>Total assets</b>	<b>253,851,188</b>	<b>242,568,795</b>
<b>Liabilities</b>		
Accounts payable	337,075	215,507
Benefits payable	-	1,777,279
Prepaid City contributions	2,269,751	2,250,144
Payable for securities purchased	51,469	152,987
<b>Total liabilities</b>	<b>2,658,295</b>	<b>4,395,917</b>
<b>Net position restricted for pensions, as restated</b>	<b>\$ 251,192,893</b>	<b>\$ 238,172,878</b>

*See accompanying independent auditors' report and notes to required supplementary information.*

**City of Hollywood Police Officers Retirement System**  
**Statements of Changes in Fiduciary Net Position**  
**For the Years Ended September 30, 2014 and 2013**

	2014	2013 Restated
<b>Additions</b>		
Contributions:		
City	\$ 11,209,547	\$ 9,573,932
Employee	1,341,148	1,324,022
State	1,269,750	1,250,143
Buybacks	27,952	-
<b>Total contributions</b>	<b>13,848,397</b>	<b>12,148,097</b>
Investment income:		
Net appreciation in fair value of investments	18,344,204	17,413,526
Interest and dividends	5,801,920	6,220,770
<b>Total investment income</b>	<b>24,146,124</b>	<b>23,634,296</b>
Less: Investment expenses	1,169,820	1,058,461
<b>Net investment income</b>	<b>22,976,304</b>	<b>22,575,835</b>
<b>Total additions</b>	<b>36,824,701</b>	<b>34,723,932</b>
<b>Deductions</b>		
Benefits paid	22,993,671	23,924,413
Participants' contributions refunded	126,781	241,759
Administrative expenses	684,234	660,615
<b>Total deductions</b>	<b>23,804,686</b>	<b>24,826,787</b>
<b>Net increase</b>	<b>13,020,015</b>	<b>9,897,145</b>
<b>Net position restricted for pensions, as restated</b>		
Beginning of year	238,172,878	228,275,733
End of year	\$ 251,192,893	\$ 238,172,878

*See accompanying independent auditors' report and notes to required supplementary information.*

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### Note 1 - Description of the Fund

#### *Organization*

The City of Hollywood Police Officers Retirement System (the "Fund") is a single employer defined benefit pension plan, covering substantially all police officers of the City of Hollywood, (the "Employer") that have met the conditions of eligibility. Since the Fund is sponsored by the City, the Fund is included as a pension trust fund in the City's comprehensive financial report as part of the City's financial entity.

The Fund's governing board is the Board of Trustees, which comprises seven members. One Trustee is appointed by the Mayor of the City of Hollywood, one Trustee is appointed by the City Commission, and the remaining five Trustees are elected by Police Department and members of the Fund.

The following is a brief description of the Fund presented for general information purposes only. Participants should refer to the plan agreement for more complete information.

#### *Fund Membership*

Employee membership data was as follows as of October 1:

	<b>2013</b>	2012
Active participants	<b>210</b>	214
Retired members, beneficiaries and deferred vested members	<b>375</b>	368
<b>Total participants</b>	<b>585</b>	582

#### *Pension Benefits*

##### Normal Retirement:

Members with 10 or more years of creditable service as of September 30, 2011 who has attained age 50 or has completed 22 years of creditable service may retire and are eligible for normal retirement benefit. A member has vested benefits after 10 years of continuous service.

For members hired prior to October 1, 2011 with less than 10 years of creditable service as of September 30, 2011 and members hired after September 30, 2011, normal retirement shall be the attainment of age 55 with 10 or more years of creditable service or age 52 with 25 years of creditable service.

For members who are eligible for normal retirement as of September 30, 2011 the monthly benefit amount is equal to 3% of the member's average monthly earnings multiplied by years and completed months of continuous service up to 20 years plus 4% of the members average monthly earnings multiplied by years and completed months of continuous service after 20 years with a maximum of 80% of average monthly earnings. Upon completion of 22 years of continuous service, a member will receive a monthly benefit of 80% of average monthly earnings. The normal form of benefit payment is life annuity with ten-years certain.

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### Note 1 - Description of the Fund - continued

#### *Pension Benefits - continued*

##### Normal Retirement:

For members who are vested but not eligible for normal retirement as of September 30, 2011 the monthly benefit amount is equal to 3.3% of average final compensation, which is the average of the highest three years of monthly earnings as of the retirement date, multiplied by years of service earned up to September 30, 2011 (the frozen accrued benefit as of October 1, 2011 based on the benefit structure in place as of September 30, 2011 prior to July 17, 2013) plus 3% (2% prior to July 17, 2013) of average monthly earnings multiplied by years and completed months of service earned after September 30, 2011. If a member retires before age 62 and additional benefit of 0.5% of average monthly earnings will be paid on or after October 1, 2011 up to age 62.

For members who are not vested and are not eligible for normal retirement as of September 30, 2011 the monthly benefit amount is equal to 3.0% of average final compensation multiplied by years of service earned up to September 30, 2011 (the frozen accrued benefit as of October 1, 2011 based on the benefit structure in place as of September 30, 2011 prior to July 17, 2013) plus 3% (2% prior to July 17, 2013) of average monthly earnings multiplied by years and completed months of service earned after September 30, 2011. If a member retires before age 62 an additional benefit of 0.5% of average monthly earnings will be paid on or after October 1, 2011 up to age 62.

The average monthly earnings prior to October 1, 2011 are computed based on the earnings of the three highest paid years of employment prior to retirement or termination. Effective October 1, 2011 the average monthly earnings are computed based on the earnings of the three highest paid years of employment prior to retirement or termination.

##### Disability:

Any member who becomes totally and permanently disabled in the line of duty and who must have applied for social security disability benefits as well as workers' compensation benefits if applicable, will receive a benefit equal to the greater of his or her accrued benefit on date of disability based on the applicable benefit rate or 50% of earnings at the time of determination of disability.

Members with at least five years of continuous service who sustain a non-service connected disability and who must have applied for Social Security disability benefits as well as workers' compensation benefits if applicable may receive a benefit equal to 2-1/2% of their average monthly earnings multiplied by years of service.

No member with at least five years of continuous service shall receive less than 25% of his average monthly earnings in effect at the time of determination of disability. Upon attainment of age 50, the benefit will be recomputed as a normal retirement benefit with consideration for service granted for the period of time that the member was receiving a disability retirement payment.

##### Death Benefits:

A service-incurred death benefit will be paid to the surviving spouse at the rate of 50% of the member's monthly earnings at the time of death. A non-service-incurred death benefit will be paid to the surviving spouse at the rate of 25% of the member's monthly earnings at the time of death. Death benefits are payable to the surviving spouse until death or remarriage. Upon the death or remarriage of the spouse, the death benefits are payable to the member's dependent children until the youngest child reaches the age of 18.

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### Note 1 - Description of the Fund - continued

#### *Pension Benefits - continued*

##### Cost-of-Living Adjustment:

A retiree whose benefit commences on or after April 1, 1987 and any beneficiary of such retiree will receive a 2% annual increase in benefit payments commencing three years after the retiree's benefit payments have begun. For participants who enter the DROP on or after October 1, 2006, cost-of-living adjustments do not occur while the member participates in the DROP. Adjustments commence the later of the date the participant leaves the DROP and three years after entry into the DROP. There shall be no annual cost-of-living adjustment effective October 1, 2011.

##### Supplemental Distribution:

If the actual investment return of the Fund exceeds the assumed actuarial return for the fiscal year, then a supplemental pension distribution (up to 2%) shall be made to the eligible recipients in the form of an optional 13<sup>th</sup> check. Effective October 1, 2011 there will be no supplemental check payable to retirees and surviving spouses and other beneficiaries who reached normal retirement or entered the DROP after September 30, 2011.

#### *Deferred Retirement Option Plan*

A Fund member may enter into the police officers' Deferred Retirement Option Plan (DROP) upon the attainment of normal retirement age. The DROP is administered by the Police Officers' Retirement System Board of Trustees. Once a Fund member enters the DROP, their monthly retirement benefit is frozen, and their monthly benefit is paid into their DROP account.

A member hired on or before September 30, 2009 who elects to enter the DROP plan has the option to receive a rate of return on his or her DROP account that is equal to the assumed rate of investment return on Fund assets. For members hired on or after October 1, 2009, his or her DROP account shall earn interest at the rate of six percent (6%) per year. In the event the Fund earnings exceed six percent (6%) per year, the earnings in excess of six percent (6%) up to and including twelve percent (12%) per year shall offset the City's cost of maintaining the DROP program. Earnings in excess of twelve percent (12%) per year shall be equally divided between the DROP participant and the City.

Upon termination of employment, but not more than eight years after entry into the DROP, or that period of participation in the DROP that would result in a total of 30 years of employment with the City, the balance in the member's DROP account, including interest, is payable to them and they also begin to receive their (frozen) monthly retirement benefit.

The DROP may now receive eligible rollover contributions from eligible governmental 457(b) plans. These rollover contributions remain in a variable-rate account as described above and do not qualify for the fixed rate option.

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 1 - Description of the Fund - continued

#### *Deferred Retirement Option Plan - continued*

A summary of the changes in the DROP balance as of September 30 is as follows:

	2014	2013
Beginning balance	\$ 59,667,991	\$ 54,640,374
Additions	2,355,639	3,006,479
Distributions	(2,667,242)	(2,370,447)
Interest	4,757,560	4,391,585
Ending balance	\$ 64,113,948	\$ 59,667,991

#### *Share Plan*

Effective June 30, 2002, the Hollywood Police Officers' Share Plan (Share Plan), a defined contribution plan, was created to implement the provisions of Chapter 185, Florida Statutes, and to provide means whereby police officers of the City of Hollywood, Florida may receive benefits from the funds provided for that purpose by Chapter 185, Florida Statutes. The Share Plan is in addition to any other benefits, and shall not in any way affect any other benefits that now or hereafter exist. The Board of Trustees shall provide for all assets of the Share Plan to be held in trust solely for the use of paying the benefits provided and the expenses of the Share Plan.

The City shall pay to the Share Plan each year an amount equal to the amount it receives from the State under the provisions of Chapter 185, Florida Statutes, as amended. As of each Valuation Date, the amounts received since the preceding Valuation Date shall be allocated among the Participants' Accounts.

The allocation shall be based on the proportion the total number of months of Credit accrued by each Participant in the immediately preceding Share Plan Year bears to the total months of Credit of all Participants in that Share Plan Year with no credit given on account of a Participant's seniority, rank or compensation. Forfeitures are allocated in the same manner described above.

The Board shall ascertain the value of the assets of the Share Plan as of each Valuation Date and shall allocate to the account of each Participant their share of the increase or decrease in the fair market value of the Share Plan's assets net of administrative expenses. The Participant's share of the increase or decrease of the Share Plan assets shall bear the same ratio to the total amount of the increase or decrease in the Share Plan as the value of the portion of the Participant's Account invested in the Share Plan bears to the total value of the Share Plan.

A Participant shall receive a benefit from the Share Plan upon his termination of employment, disability, retirement or death in accordance with the Share Plan agreement. However, no Participant shall receive a benefit from the Share Plan in excess of the amount credited to their Account.

Commencing June 7, 2006, the state funds received by the City pursuant to Florida Statutes Chapter 185 subsequent to the funds normally received during fiscal year ended September 30, 2006, shall not be divided into individual "share" accounts but shall be used exclusively to fund plan benefits, including "minimum benefits" and "extra benefits" as provided in Chapter 185.

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### Note 1 - Description of the Fund - continued

A summary of the changes in the share plan balance as of September 30 is as follows:

	2014	2013
Beginning balance	\$ 3,548,725	\$ 3,865,828
Additions	-	-
Earnings	315,143	322,019
Distributions	(320,960)	(639,122)
Ending balance	\$ 3,542,908	\$ 3,548,725

#### *Funding Requirements*

##### Member Contributions:

Each police officer makes contributions to the Fund during the first 27 years of continuous service at the rate of 8.0% (9.25% prior to May 1, 2013) of their earnings. After completion of 27 years of continuous service, members shall contribute only 0.5% of their earnings. If a police officer's service is terminated for reasons other than death or retirement, their accumulated contributions are returned to them with 3% interest, compounded annually.

##### City Contributions:

The City of Hollywood pays into the Fund such amount as is determined actuarially to provide for benefits under the Fund not met by member contributions. Commencing June 7, 2006, this amount is reduced by any allowable Chapter 185 State contributions.

### Note 2 - Summary of Significant Accounting Policies

#### *Basis of Accounting*

The financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which the contributions are due. Employer (City) contributions are recognized as revenues when due pursuant to actuarial valuations. State contributions are recognized as revenue in the period in which they are approved by the State. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund. Interest and other income are recorded as earned, and dividend income is recorded as of the ex-dividend date.

#### *Cash and Cash Equivalents*

The Fund considers all highly liquid investments with an original maturity of one year or less when purchased, to be cash equivalents.

#### *Investments*

The Fund's investments are reported at fair value in the Statement of Fiduciary Net Position. 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 at the measurement date. The diversity of the investment types in which the Fund has entered into requires a range of techniques to determine fair value. The overall valuation processes and information sources by major investment classification are as follows:

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### Note 2 - Summary of Significant Accounting Policies - continued

#### *Investments - continued*

- **Equity investments:** These include domestic and international common stocks and domestic and international equity funds. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2014 and 2013. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.
- **Debt securities:** Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, domestic corporate bonds and foreign corporate and government bonds. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets) when quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.
- **Real Estate:** Real estate investments are investments where no readily ascertainable market value exists. To value these investments, management, in consultation with the general partner and investment advisors, determines the fair values for the individual investments based upon the partnership's or limited liability company's most recent available financial information adjusted for cash flow activities through September 30, 2014 and 2013. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Unrealized gains and losses are presented as net appreciation in fair value of investments on the Statement of Changes in Fiduciary Net Position along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on a trade-date basis.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Fiduciary Net Position.

#### *Income Tax Status*

The Fund is tax-exempt under the Internal Revenue Code, and, therefore, has recorded no income tax liability or expense.

#### *Subsequent Events*

Management has evaluated subsequent events through February 20, 2015, the date which the financial statements were available for issue.

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 2 - Summary of Significant Accounting Policies - continued

#### *Use of Estimates*

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

#### *Risks and Uncertainties*

Contributions to the Fund and the actuarial information included in the required supplementary information (RSI) are reported based on certain assumptions pertaining to the interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

#### *Recently Adopted Accounting Pronouncements*

The Fund adopted Governmental Accounting Standards Board (“GASB”) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* (GASB Statement No. 67). GASB Statement No. 67 applies to pension plans that administer pension benefits for governments through a trust or equivalent arrangement that meets certain specified criteria. GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the net pension liability of employers for benefits provided through the pension plan. The adoption changed various reporting terminology, footnote disclosures, and required supplementary information to be disclosed. The adoption of GASB 67 also required a restatement of prior years’ liabilities in accordance with GASB 67. See Note 7.

### Note 3 - Funding Requirements and Contributions

#### *Actual Contributions*

The actual City contribution for active employees and State contributions for the years ended September 30, 2014 and 2013 were \$12,479,297 and \$10,824,075, respectively, and the actual amount of covered payroll was approximately \$16,708,000 and \$15,046,000 for fiscal years ended September 30, 2014 and 2013, respectively.

City and State contributions consisted of the following at September 30:

	2014	
	Amount	Percent of Actual Annual Covered Payroll
City contributions	\$ 11,209,547	67.1%
State contributions	1,269,750	7.6
<b>Total</b>	<b>\$ 12,479,297</b>	<b>74.7%</b>

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 3 - Funding Requirements and Contributions - continued

#### *Actual Contributions - continued*

	2013	
	Amount	Percent of Actual Annual Covered Payroll
City contributions	\$ 9,573,932	63.6%
State contributions	1,250,143	8.3
<b>Total</b>	<b>\$ 10,824,075</b>	<b>71.9%</b>

For the fiscal years ended September 30, 2014 and 2013 employee contributions were \$1,341,148 and \$1,324,022, respectively and buybacks were \$27,952 for the fiscal year 2014. There were no buybacks for the fiscal year ended 2013.

#### *Actuarially Determined Contributions*

The Fund contributions required from the City of Hollywood and the State of Florida for the fiscal years September 30, 2014 and 2013 were actuarially determined by the October 1, 2012 and 2011 valuation reports to be \$12,479,297 and \$11,072,716, respectively. The actuarially computed annual covered payroll amounted to approximately \$13,708,000 and \$15,231,000, respectively.

Effective, May 30, 2012, the Division of Retirement mandated that local governments confer with the Fund's actuary to select and maintain a contribution method (percentage of payroll or fixed dollar contribution) that best fits the funding requirements of the Fund. For the years ended September 30, 2013 and 2014, the Fund selected to use the fixed dollar contribution amount.

The required City and State contribution covers the following:

	2014		2013	
	Amount	Percent of Actuarially Computed Covered Payroll	Amount	Percent of Actuarially Computed Covered Payroll
Normal cost (excluding expenses)	\$ 1,990,987	14.5%	\$ 1,552,382	10.2%
Expenses	400,000	2.9	400,000	2.6
Payment to amortize unfunded liability	10,088,310	73.6	9,120,334	59.9
<b>Total required from City and State</b>	<b>\$ 12,479,297</b>	<b>91.0%</b>	<b>\$ 11,072,716</b>	<b>72.7%</b>

### Note 4 – Deposits and Investment Risk Disclosures

#### *Cash and Cash Equivalents*

Deposits are carried at cost and are included in cash and cash equivalents in the Statement of Fiduciary Net Position. Cash and cash equivalents include short-term investment funds at September 30, 2014 and 2013.

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### Note 4 – Deposits and Investment Risk Disclosures - continued

#### *Investment Authorization*

The investment policy is determined by the Board of Trustees. The policy has been identified by the Board to conduct the operations of the Fund in a manner so that the assets will provide the pension and other benefits provided under applicable laws, including City ordinances, preserving principal while maximizing the rate of return. The Trustees are authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, commercial paper, bonds, debentures, and other corporate obligations, and stocks, preferred or common.

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 65% (at market) of the Fund's total asset value with no more than 5% of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks or bonds of foreign companies shall be limited to 25% of the value of the portfolio, at market value (exclusive of the State of Israel).

The fixed income portfolio shall be comprised of securities rated in the highest three (3) categories of quality by Moody's, Standard & Poors or Fitch's Manual rating services with no more than 5% of an investment manager's total fixed income portfolio invested in the securities of any single corporate issuer.

#### *Types of Investments*

Florida statutes and Fund investment policy authorize the Trustees to invest funds in various investments. The current target allocation of these investments at market is as follows:

<b>Authorized investments</b>	<b>Target % of portfolio</b>
Domestic equity	50%
Fixed income	39%
Cash	4%
Real estate	7%
International equity	0%

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 4 – Deposits and Investment Risk Disclosures - continued

#### *Investments*

The table below shows the Fund's investments by type as of September 30:

	2014	2013
Equity securities, domestic:		
Common stock	\$ 108,234,413	\$ 109,006,587
Equity securities, international:		
Common stocks	2,656,568	1,776,113
International equity fund	-	-
	<b>110,890,981</b>	<b>110,782,700</b>
Domestic equity funds	21,490,788	19,220,565
Real estate	16,481,816	11,791,523
Domestic debt securities:		
U.S. treasuries	11,241,559	4,536,890
U.S. agencies	8,941,024	12,918,260
Corporate bonds	72,299,116	74,084,430
	<b>92,481,699</b>	<b>91,539,580</b>
Foreign bonds:		
State of Israel	750,001	1,250,001
Corporate bonds	4,793,296	1,091,750
	<b>5,543,297</b>	<b>2,341,751</b>
<b>Total</b>	<b>\$ 246,888,581</b>	<b>\$ 235,676,119</b>

#### *Rate of Return*

For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension investment expense, was 9.92%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Fund diversifies their investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the Fund's investments to market interest rate fluctuations are provided by the following tables that show the distribution of the Fund's investments by maturity at September 30:

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 4 – Deposits and Investment Risk Disclosures - continued

2014					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 11,241,559	\$ 1,755,454	\$ 3,343,596	\$ 6,142,509	\$ -
U.S. agencies	8,941,024	-	1,657,404	5,023,892	2,259,728
Corporate bonds and notes	72,299,116	7,374,951	29,911,950	35,012,215	-
Foreign bonds	5,543,297	250,000	500,000	4,793,297	-
	<b>\$ 98,024,996</b>	<b>\$ 9,380,405</b>	<b>\$ 35,412,950</b>	<b>\$ 50,971,913</b>	<b>\$ 2,259,728</b>

2013					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 4,536,890	\$ -	\$ 3,192,765	\$ 1,344,125	\$ -
U.S. agencies	12,918,260	1,295,841	3,289,247	6,064,291	2,268,881
Corporate bonds and notes	74,084,430	4,632,285	40,146,099	29,306,046	-
Foreign bonds	2,341,751	500,001	750,000	1,091,750	-
	<b>\$ 93,881,331</b>	<b>\$ 6,428,127</b>	<b>\$ 47,378,111</b>	<b>\$ 37,806,212</b>	<b>\$ 2,268,881</b>

#### *Credit Risk*

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Fund's investment policy utilizes portfolio diversification in order to control this risk.

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 4 – Deposits and Investment Risk Disclosures - continued

The following tables disclose credit ratings by investment type, at September 30, as applicable:

	2014		2013	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 20,182,584	20.59%	\$ 17,455,150	18.59
Quality rating of credit risk debt securities:				
AAA	2,049,348	2.09	2,003,764	2.13
AA+	226,656	0.23	1,890,174	2.01
AA	4,731,931	4.82	2,278,436	2.43
AA-	7,602,730	7.76	5,307,122	5.65
A+	10,085,598	10.29	13,197,271	14.06
A	24,763,633	25.26	28,338,932	30.19
A-	15,978,223	16.30	15,505,291	16.52
BBB+	7,667,953	7.82	5,945,465	6.33
BBB	3,986,340	4.07	1,959,726	2.09
Not Rated	750,000	0.77		
<b>Total credit risk debt securities</b>	<b>77,842,412</b>	<b>79.41</b>	<b>76,426,181</b>	<b>81.41</b>
<b>Total fixed income securities</b>	<b>\$ 98,024,996</b>	<b>100.00%</b>	<b>\$ 93,881,331</b>	<b>100.00%</b>

\*Obligations of the U.S. government or obligations explicitly or implicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

#### *Concentration of Credit Risk*

The investment policy of the Fund contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2014 and 2013.

#### *Custodial Credit Risk*

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Fund and are held either by the counterparty's trust department or agent but not in the Fund's name.

Consistent with the Fund's investment policy, the investments are held by the Fund's custodial bank and registered in the Fund's name. All of the Fund's deposits are insured and or collateralized by a financial institution separate from the Fund's depository financial institution.

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 5 – Commitments

The Fund is obligated for payments under an operating lease for office space that will expire on August 31, 2016. Rent expense was \$24,525 and for years ended September 30, 2014 and 2013, respectively.

The following is a schedule of the aggregate future minimum rental payments under this lease:

For the year ending September 30,

2015	\$	24,525
2016		23,381
	\$	47,906

### Note 6 – Net Pension Liability of the City

The components of the net pension liability of the City at September 30, 2014 were as follows:

	<b>2014</b>
Total pension liability	<b>\$ 385,952,333</b>
Plan fiduciary net position	<b>(251,192,893)</b>
<u>City net pension liability</u>	<u><b>\$ 134,759,440</b></u>

Plan fiduciary net position as a percentage of total pension liability 65.08%

#### *Actuarial Assumptions*

The total pension liability at September 30, 2014 was determined using an actuarial valuation as of October 1, 2013, with update procedures used to roll forward the total pension liability to September 30, 2014. The actuarial valuation used the following actuarial assumptions:

Inflation	3.5%
Projected salary increases	5.03% - 10.67%, including inflation
Projected COLAs	None
Investment rate of return	8% compounded annually, net of pension plan investment expense, including inflation.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring*

#### *Pension Obligations*

ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 6 – Net Pension Liability (Asset) of the City - continued

#### *Pension Obligations - continued*

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of the valuation date of October 1, 2013 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return*
	<b>2014</b>
Large Cap Core	<b>10.38%</b>
Large Cap Growth	<b>10.25%</b>
Large Cap Value	<b>10.50%</b>
Intermediate Fixed	<b>4.40%</b>
Small Cap	<b>11.22%</b>
Mid Cap	<b>10.75%</b>
Taxable Money Market	<b>2.10%</b>
Real State	<b>8.75%</b>
Long Term Fixed	<b>6%</b>

\*Real rates of return are net of the long-term inflation assumption of 3.50% for 2014.

#### *Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on these assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current Fund 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.

#### *Sensitivity of the Net Pension Liability to changes in the Discount Rate*

The following presents the net pension liability of the City calculated using the discount rate of 8%, as well as what the employer net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 Percent) than the current rate:

	<b>Employer Net Pension Liability (Asset)</b>		
	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
September 30, 2014	\$ 169,826,311	\$ 134,759,440	\$ 105,226,122

### Note 7 – Restatement of Financial Statements

In accordance with U.S. GAAP and paragraph 49 of GASB 67, certain changes in accounting practices were retrospectively, applied, and therefore, comparative financial statements include a restatement of all prior years presented for the following changes made to comply with the requirements of GASB 67.

# City of Hollywood Police Officers Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### Note 7 – Restatement of Financial Statements - continued

The Fund administers a DROP (see Note 1). During the DROP participation period, each member's monthly retirement benefit accrues and the balance accumulates with the DROP account. Upon termination of employment and the end of the DOP period, each retired member's funds are immediately due and payable. Monthly accruals of benefits were previously expensed and accordingly recorded as a deduction on the Statement of Changes in Fiduciary Net Position. Similarly, the total amount of deferred retirement benefits that had accumulated but not yet been distributed at fiscal year-end were previously classified as a liability on the Statement of Fiduciary Net Position. According to paragraph 98 of GASB 67, "DROP balances, similar to other benefit payments, should be recognized as a pension plan liability only when ultimately due to the plan member." Further clarification is provided by question 37 in the GASB 67 implementation guide which states that "benefits generally would be considered due and payable only when they are required to be distributed to the plan member from the DROP account."

As a result of the preceding, financial statements have been restated to report a liability only for benefits due but not yet distributed to members who had ended their participation in the DROP program at September 30. Likewise, deductions have been restated to include only DROP amounts actually distributed to participants as well as amounts due but not yet distributed. Additions have also been restated to add back those that relate to the DROP for investment income earned by the DROP account. The cumulative effect of the restatement is as follows:

#### Statement of Fiduciary Net Position

Total liabilities, previously reported	\$ 63,150,015
Impact of restatement	(58,754,098)
<u>Total liabilities, as restated</u>	<u>\$ 4,395,917</u>
Net position restricted for pensions, previously reported	\$ 178,504,887
Impact of restatement	59,667,991
<u>Total net position restricted for pensions, as restated</u>	<u>\$ 238,172,878</u>

#### Statement of Changes in Fiduciary Net Position

Total additions, previously reported	\$ 30,332,348
Impact of restatement	4,391,584
<u>Total additions, as restated</u>	<u>\$ 34,723,932</u>
Total deductions, previously reported	\$ 25,462,819
Impact of restatement	(636,032)
<u>Total deductions, as restated</u>	<u>\$ 24,826,787</u>

## **Required Supplementary Information**

**City of Hollywood Police Officers Retirement System**  
**Required Supplementary Information**  
**Schedule of Changes in the City's Net Pension Liability (Unaudited)**  
**Last Fiscal Year**

<b>Total pension liability</b>		
Service cost	\$	3,148,678
Interest		29,080,971
Changes of benefit terms		
Differences between expected and actual experience		1,770,772
Changes of assumptions		
Benefit payments, including refunds of member contributions		(22,993,671)
Refunds of contributions		(126,781)
Net change in total pension liability		10,879,969
Total pension liability- beginning		375,072,364
Total pension liability- ending		385,952,333
<b>Plan fiduciary net position</b>		
Contributions - City and State		12,479,297
Contributions - member		1,341,148
Net investment income		22,976,304
Benefit payments, including refunds of member contributions		(22,993,671)
Administrative expenses		(684,234)
Refund of contributions		(126,781)
Other		27,952
Net change in plan fiduciary net position		13,020,015
Plan fiduciary net position – beginning		238,172,878
Plan fiduciary net position - ending	\$	251,192,893
City's net pension liability	\$	134,759,440

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*See accompanying independent auditors' report and notes to required supplementary information.*

**City of Hollywood Police Officers Retirement System**  
**Required Supplementary Information**  
**Schedule of the City's Net Pension Liability (Unaudited) - continued**  
**Last Fiscal Year**

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Total pension liability	\$	385,952,333
Plan fiduciary net position		(251,192,893)
City's net pension liability	\$	134,759,440

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Plan fiduciary net position as a percentage of the total pension liability	65.08%
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Covered – employee payroll	\$	15,092,088
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City's net pension liability as a percentage of covered – employee payroll	892.91%
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\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Hollywood Police Officers Retirement System**  
**Required Supplementary Information**  
**Schedule of Contributions by Employer (Unaudited)**  
**Last 10 Fiscal Years**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Actuarially determined contribution	\$ 12,479,297	\$ 11,072,716	\$ 9,931,274	\$ 12,970,210	\$ 12,471,750
Contributions in relation to the actuarially determined contribution	12,479,297	11,072,716	9,931,274	12,970,210	12,471,750
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 15,092,088	\$ 14,581,728	\$ 13,707,806	\$ 15,230,825	\$ 15,289,445
Contributions as a percentage of covered-employee payroll	82.69%	75.94%	72.45%	85.16%	81.57%
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Actuarially determined contribution	\$ 11,332,169	\$ 9,633,265	\$ 11,447,260	\$ 8,348,716	\$ 6,394,497
Contributions in relation to the actuarially determined contribution	11,332,169	9,633,265	11,447,260	8,348,716	6,394,497
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 18,445,452	\$ 18,459,663	\$ 17,443,924	\$ 16,710,989	\$ 21,297,079
Contributions as a percentage of covered-employee payroll	<u>61.44%</u>	<u>52.19%</u>	<u>65.62%</u>	<u>49.96%</u>	<u>30.03%</u>

*See accompanying independent auditors' report and notes to required supplementary information.*

**City of Hollywood Police Officers Retirement System**  
**Required Supplementary Information**  
**Schedule of Investment Returns (Unaudited)**  
**For the Year Ended September 30, 2014**

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	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	9.92%

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\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Hollywood Police Officers Retirement System**  
**Required Supplementary Information**  
**Notes to Required Supplementary Information (Unaudited)**  
**Last Ten Fiscal Years**

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*Method and assumptions used in calculations of the City's actuarially determined contributions.* The actuarially determined contribution rates in the schedule of the City's contributions are determined on an annual basis. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the City's contributions.

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Amortization period	19 to 30 years
Asset valuation method	5 year smoothed market
Inflation	3.50%
Projected salary increases	5.03%-10.67% including inflation
Investment rate of return	8.00%
Cost-of-living increases	None

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition.

Mortality Rates:

Healthy For healthy participants, the 1983 Group Annuity Table

Disabled For disable participants, the 1983 Group Annuity Table

Disability Rates: Representative values of the assumed annual rates of disability among members in active service are as follows:

<u>Age</u>	<u>Disability Rates</u>	<u>Age</u>	<u>Disability Rates</u>
20	.0004	40	.0018
25	.0006	45	.0032
30	.0009	49	.0050
35	.0012		

Employee Withdrawal Rates: Representative values of the assumed annual rates of withdrawal among members in active service are as follows:

<u>Age</u>	<u>Turnover %</u>	<u>Age</u>	<u>Turnover %</u>
20	.1030%	40	.0099%
25	.0730%	45	.0048%
30	.0415%		
35	.0182%		

Marital Assumptions:

1. 75% of members are assumed married.  
domestic partners.

2. Male spouses are assumed to be three years older than female spouses.

*See accompanying independent auditors' report.*

## **Other Supplemental Schedules**

**City of Hollywood Police Officers Retirement System**  
**Other Supplemental Schedules of Investment Expenses and Administrative Expenses**  
**For the Years Ended September 30, 2014 and 2013**

	2014	2014	2013	2013
		% of Net Asset		% of Net Asset
<b>Schedule "1"</b>				
<b>Schedule of Investment Expenses</b>				
Financial management expenses				
Buckhead Capital	\$ 104,877	0.04%	75,788	0.03%
Garcia Hamilton & Associates LP	168,140	0.07%	156,493	0.07%
Eagle Asset Management, Inc.	104,713	0.04%	115,474	0.05%
Inverness Counsel, Inc.	518,439	0.21%	549,265	0.23%
RhumbLine Advisers	17,849	0.01%	15,882	0.01%
American Realty Advisors	77,020	0.03%	10,935	0.00%
Intercontinental Real Estate Corporation	82,500	0.03%	29,384	0.01%
Total financial management expenses	1,073,538	0.43%	953,221	0.40%
Investment consultant fees				
Thistle Asset Consulting	34,545	0.01%	41,380	0.02%
Investment custodial fees				0.00%
Fiduciary Trust International of the South	61,737	0.02%	63,860	0.03%
Total investment expenses	\$ 1,169,820	0.46%	\$ 1,058,461	0.45%
<b>Schedule "2"</b>				
<b>Schedule of Administrative Expenses</b>				
Personnel services				
Salaries and payroll taxes	\$ 186,282	0.07%	\$ 177,717	0.07%
Fringe benefits	36,266	0.01%	32,934	0.01%
Total personnel services	222,548	0.08%	210,651	0.09%
Professional services				
Actuarial	129,818	0.05%	165,714	0.07%
Accounting and Audit	24,388	0.01%	22,400	0.01%
Legal	164,898	0.07%	121,560	0.05%
Total professional services	319,104	0.13%	309,674	0.13%
Other				
Computer expense	19,169	0.01%	31,350	0.01%
Dues & subscriptions	1,724	0.00%	1,755	0.00%
Insurance	27,412	0.01%	21,935	0.01%
Medical fees	11,770	0.00%	6,180	0.00%
Office expense	52,953	0.02%	46,480	0.02%
Rent	24,525	0.01%	24,525	0.01%
Staff travel and member education expense	5,029	0.00%	8,065	0.00%
Total other	142,582	0.06%	140,290	0.06%
Total administrative expenses	\$ 684,234	0.27%	\$ 660,615	0.28%



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