CITY OF MOBILE, ALABAMA
POLICE AND FIREFIGHTERS RETIREMENT PLAN

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
SEPTEMBER 30, 2014

CITY OF MOBILE, ALABAMA
POLICE AND FIREFIGHTERS RETIREMENT PLAN

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Mobile
Mobile, Alabama

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the City of Mobile, Alabama Police and Firefighters Retirement Plan (the Plan), which comprise the statement of fiduciary net position as of September 30, 2014, 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

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 5, which was certified by The Bank of New York Mellon, the Custodian of the Plan, except for comparing the information with the related information included in the financial statements and supplementary information. We have been informed by the Plan administrator that the Custodian holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the Custodian as of and for the year ended September 30, 2014, that the information provided to the Plan administrator by the Custodian is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Implementation of GASB Statement No. 67

The Plan implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, in the current year. As a result, there were substantial changes to the disclosures in the notes to the financial statements, including the calculation of the Plan's net pension liability, which will be required to be recorded by the City of Mobile, Alabama in its next fiscal year. The adoption of GASB 67 also required a restatement as discussed in Note 10. Our opinion is not modified with respect to this matter.

Supplementary Information

U.S. generally accepted accounting principles require that the schedules of pension information included on pages 18 - 20 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. The other supplementary information included on page 21 is presented as additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplementary information referred to above.

Wilkins Miller, LLC

Mobile, Alabama
July 21, 2015

CITY OF MOBILE, ALABAMA
POLICE AND FIREFIGHTERS RETIREMENT PLAN

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

Assets	
Cash	$ 4,526,003
Investments, at fair value:	
Cash and cash equivalents	11,821,211
Fixed income securities	30,003,542
Equities	93,181,920
Real estate funds	4,543,709
Total investments	139,550,382
Receivables	
Accrued income	256,257
Employer contribution	13,091,742
Investment sales	208,549
Total receivables	13,556,548
Total assets	157,632,933
Liabilities	
Accounts payable	149,458
Investment payable	74,962
Payable for units redeemed	60,312
Due to City of Mobile	5,658,387
Total liabilities	5,943,119
Net position restricted for pensions	$ 151,689,814

See accompanying notes to financial statements

CITY OF MOBILE, ALABAMA
POLICE AND FIREFIGHTERS RETIREMENT PLAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2014

Additions	
Investment income	
Net appreciation in fair value of investments	$ 9,247,794
Interest and dividends	1,557,605
	10,805,399
Less investment and custodial fees	(498,341)
Investment income, net	10,307,058
Contributions	
Employee	2,945,173
Employer	14,950,855
Total contributions	17,896,028
Total additions	28,203,086
Deductions	
Benefits paid to participants	17,829,219
Refunds of employee contributions	356,916
Management and administrative fees	92,401
Miscellaneous expense	18,148
Total deductions	18,296,684
Net increase	9,906,402
Net position restricted for pensions	
Beginning of year, as restated	141,783,412
End of year	$ 151,689,814

See accompanying notes to financial statements

CITY OF MOBILE, ALABAMA
POLICE AND FIREFIGHTERS RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - PLAN DESCRIPTION

The following brief description of the City of Mobile, Alabama Police and Firefighters Retirement Plan (the Plan) provides only general information. The Plan was established by an Act of the Alabama State Legislature (the Act) on September 2, 1964. Participants should refer to the Act for a more complete description of the Plan's provisions.

General. The Plan is a single-employer defined benefit pension plan. The Plan was last amended on July 3, 2012.

Participation. Every member of the police and fire departments of the City of Mobile, except for civilian employees hired after April 15, 1985, certain civilian employees hired before April 15, 1985, and certain police officers and firefighters who elected not to participate during a temporary period of discretionary participation, comes under the provisions and benefits of the Plan.

Funding. The Plan provides for the following methods of funding:

<u>Employer contributions</u>
The City of Mobile is required to contribute an actuarially determined amount each Plan year. The City's contribution is determined as of October 1st of each Plan year and the contribution must be made within 18 months.

<u>Employee contributions</u>
Participants who have earned less than 30 years of service are required to contribute 8% of basic salary, as defined by the Plan.

<u>Municipal court receipts</u>
The Plan receives 5% of all fines and moneys paid, except court costs, as a result of prosecutions for violations of ordinances and laws of the City of Mobile. These receipts are included in employer contributions.

<u>Fire insurance premium tax</u>
The Plan receives 2% of the gross fire insurance premiums collected on policies which cover property within the City of Mobile limits and its police jurisdiction. These receipts are included in employer contributions.

NOTE 1 - PLAN DESCRIPTION (CONTINUED)

Benefits. Participants in the Plan are entitled to certain benefits depending upon whether sufficient assets are in the Plan to cover the benefits. The Plan provides for retirement, disability, and death benefits. Also, the Plan provides for certain types of benefits including a Deferred Retirement Option Plan (DROP).

Retirement

The Plan provides that a participant, who was hired prior to March 28, 1990, with at least 20 years of service (the last 10 years of which are consecutive) and who has attained 50 years of age, may retire and receive a monthly payment equal to 2.5% of his or her final average salary (average of the highest salary for 36 months of the previous ten years of service) multiplied by the number of years in service and divided by twelve. The benefit, however, cannot exceed 75% of the participant's final average salary. The Plan provides that a participant, who was hired on or after March 28, 1990, with 20 years of service (the last 10 years of which are consecutive) and who has attained 55 years of age, may retire and receive a monthly payment equal to 2.5% of his or her final average salary (average of the highest salary for 60 months of the previous ten years of service) multiplied by the first 20 years of service, and 2.25% of his or her final average salary for years of service in excess of 20 years. The benefit however is not to exceed 72.5% of the participant's final average salary.

Disability

If a participant who has at least 15 years of service becomes permanently physically or mentally disabled other than while performing his or her duties as a uniformed officer by reason other than hypertension, heart disease, respiratory disease, AIDS, hepatitis, or cancer, he or she shall receive a monthly disability benefit equal to 2.5% of his or her final salary multiplied by his or her years of service, but not more than 60% of his or her final salary.

If any participant becomes permanently physically or mentally disabled while performing his or her duties as a uniformed officer other than due to hypertension, heart disease, respiratory disease, AIDS, hepatitis, or cancer; or, any participant who has completed three years of service as a uniformed officer becomes permanently physically or mentally disabled due to hypertension, heart disease, respiratory disease, AIDS, hepatitis, or cancer, the participant shall receive a monthly disability benefit equal to 45% of the participant's final salary at the time the participant became disabled. However, any participant who can demonstrate to the Board of Trustees of the City of Mobile, Alabama Police and Firefighters Retirement Plan that he or she is totally disabled from gainful employment, he or she shall receive a disability benefit equal to 60% of the participant's final salary at the time the participant became disabled.

NOTE 1 - PLAN DESCRIPTION (CONTINUED)

Benefits (continued)

Death
Whenever the employment of a participant of the Plan is terminated by death before eligibility for pension benefits has been established, the contributions of such participant to the Plan shall be refunded in a lump sum plus up to $5,000 in matching benefits, without interest, to the named beneficiary on file with the Plan secretary. If a participant who is eligible for a retirement benefit dies prior to his or her annuity starting date, his or her eligible family members shall receive a benefit equal to the greater of, (1) the benefit they would have received had the participant met the requirements of the Plan, as the case may be, retired, or terminated employment on the day preceding his or her death and begun to receive his or her benefit in accordance with the 50% survivor's benefit, or (2) in a single lump sum equal to the lesser of twice the participant's contributions to the Plan or the sum of the participant's contributions to the Plan plus $5,000.

Other
Whenever the employment of a participant of the Plan is terminated other than by reason of death or disability after completion of 15 years of service (the last ten years without a break in service exceeding one year), he or she shall receive a pension beginning on the first day following the latest of his or her termination of employment or on his or her 65th birthday. If a participant terminates employment prior to 15 years of service for causes other than death or disability, he or she will receive a refund of his or her contributions excluding interest.

DROP program
Effective October 1, 1997, the Plan was amended to provide for the addition of a Deferred Retirement Option Plan (DROP). The DROP program is available for participants who are eligible for retirement and who wish to continue their respective jobs with the police or fire departments. Those retirees who elect the DROP will have their monthly retirement benefit accumulated in a DROP account. DROP accounts earn a rate of interest that is based on the actual investment return of the fund for the prior Plan year, less two percent, if the return is at least equal to the assumed investment return.

As of September 30, 2014, the following amounts were accumulated in the DROP accounts:

Benefit payments	$ 2,195,020
Accumulated earnings	262,739
Total	$ 2,457,759

NOTE 1 - PLAN DESCRIPTION (CONTINUED)

Benefits (continued)

DROP program (continued)

As discussed in Note 10 to the financial statements, with the implementation of Government Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, the statement of fiduciary net position only presents a liability for DROP benefits due but not yet distributed to members who had ended their participation in the DROP program at September 30 (none at September 30, 2014).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments

The Plan's investments are stated at fair value as provided by the Custodian, The Bank of New York Mellon. When available, fair value is determined by quoted market price. Short-term investments are reported at cost, which approximates fair value. Investments for which quotations are not readily available are valued at their fair value as determined by the Custodian under the direction of the Plan's Board of Trustees with the assistance of a valuation service.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Administration

Administrative costs are financed through the Plan's investment earnings.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 - PLAN MEMBERSHIP

Participation in the Plan as of October 1, 2013, according to the latest actuarial valuations, was comprised of the following:

Active members	
Regular active members	977
DROP program members	47
	1,024
Inactive employees and beneficiaries currently receiving benefits	
Retired - service retirement	517
Retired - disability retirement	44
Retired - beneficiaries	142
	703
Inactive employees entitled to but not yet receiving benefits	
Deferred vested members	14
	1,741

NOTE 4 - FUNDING STATUS AND PROGRESS

The funded status of the Plan as of October 1, 2013, the most recent actuarial valuation date, was as follows:

(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL as % of Annual Covered Payroll (3) / (5)
$138,907,354	$261,454,954	$122,547,600	53.13%	$ 36,010,184	340.31%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the AAL for benefits.

NOTE 4 - FUNDING STATUS AND PROGRESS (CONTINUED)

The annual required contributions for the 2013 - 2014 Plan years were determined as part of the October 1 actuarial valuations. The following is a list of additional information:

	October 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization	30 years
Asset valuation method	Five-year smoothed market value
Actuarial assumptions	
Investment rate of return	7.00%
Projected salary increases	3.00%
Inflation component	2.75%

NOTE 5 - CASH AND INVESTMENTS

Deposits

The Plan's cash deposits were comprised of cash in banks, amounting to $4,526,003 at September 30, 2014. Each of the banks holding the Plan's deposits, is a certified participant in the Security for Alabama Funds Enhancement (SAFE) program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury. All of the Plan's deposits were fully insured or collateralized at September 30, 2014.

Credit risk

The Plan's investment policy allows for U.S. Treasury, federal agencies, and U.S. government guaranteed obligations up to 100% of the fixed income securities portfolio. The Plan's investment policy provides that its investments in corporate bonds, debentures, notes, asset-backed securities, equipment trust certificates rated Baa3 or BBB- or higher (investment grade) by Moody's, Fitch or Standard and Poor's (including split-rated bonds), and investment grade money market instruments are allowed up to 100% of the fixed income securities portfolio. Below investment grade securities are allowed up to 20% of the market value of the fixed income securities portfolio after consideration of whether they are prudent under the circumstances then prevailing.

NOTE 5 - CASH AND INVESTMENTS (CONTINUED)

Credit risk (continued)

The Plan's investments in fixed income securities were rated by applicable rating services at September 30, 2014 as follows:

Rating	Amount
U.S. Agencies	$ 7,888,684
Aaa	795,376
Aa3	675,252
A1	1,126,499
A2	6,141,742
A3	1,896,297
Baa1	4,879,302
Baa2	2,094,063
Baa3/no rating	3,855,827
Ba3	332,500
B3	318,000
	$ 30,003,542

Custodial credit risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan's investments are either held in the name of the Plan or held in trust under the Plan's name.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's policy regarding concentration of credit risk specifies the portfolio shall not hold investments in a single company exceeding ten percent of the market value of the portfolio concentration of credit risk. Further, it provides guidelines regarding target allocation ranges for various investment disciplines.

NOTE 5 - CASH AND INVESTMENTS (CONTINUED)

Concentration of credit risk (continued)

The following table presents investments at September 30, 2014. Investments that represent 5% or more of the Plan's net assets are separately identified.

	2014
Russell 1000 Funds (equities)	$ 42,776,386
Allianz Global (equities)	12,700,131
SSGA (equities)	15,225,184
Morgan Dempsey (equities)	7,203,090
Orleans (fixed income securities)	30,003,542
Cash & cash equivalents	11,821,211
Real estate funds	4,543,709
Equities	15,277,129
	$ 139,550,382

The Plan's Custodian, The Bank of New York Mellon, has issued a certification covering all investment assets, transactions, and income earned as of and for the year ended September 30, 2014.

Investment policy

The Plan's policy in regard to the authorized types of investment securities and allocation of invested assets is established and may be amended by the Plan's Board of Trustees. The Plan is required to be actuarially sound, strive to achieve sufficient earnings to meet present and future obligations, earn the highest total return on invested funds consistent with safety and in accordance with generally accepted investment practices, favor investments which will have a positive impact on the local and state economy where investment characteristics are equivalent, and achieve performance equal to or greater than the actuarial assumption.

The Plan's policy pursues a multi-manager team investment approach that diversifies Plan assets so as to minimize the risk associated with dependence on the success of one enterprise. Allocations among firms should not exceed plus or minus five percent of the allocated portfolio value.

NOTE 5 - CASH AND INVESTMENTS (CONTINUED)

Investment policy (continued)

The Plan's policy allows for investment in domestic large cap equities, domestic small/mid cap growth equities, domestic small/mid cap value equities, international equities, fixed income securities, and alternative assets including closed-end limited partnerships in private equity, mezzanine finance, opportunistic real estate, and pooled funds of the foregoing.

The Plan's policy states the specific targets and permissible diversification ranges by asset class are as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad equity markets	5.0 %	6.01 % per annum
Domestic large cap equity	28.0 %	6.91 % per annum
Domestic mid cap equity	9.5 %	8.91 % per annum
Domestic small cap equity	9.5 %	5.01 % per annum
International equity	10.0 %	3.31 % per annum
Domestic fixed equity	25.0 %	0.81 % per annum
Alternative investments	13.0 %	7.51 % per annum
	100.0 %	5.07 % per annum

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan's investment policy does not require a maximum term for any single fixed income security. The Plan's investment policy does not address weighted average portfolio maturities.

As of September 30, 2014, maturities of the Plan's debt securities were as follows:

	Investment Maturities (fair value by years)			
	1-5	6-10	More Than 10	Fair Value
Corporate	$ 3,681,854	$ 17,727,056	$ 705,948	$ 22,114,858
U.S. Agencies	-	-	7,888,684	7,888,684
	$ 3,681,854	$ 17,727,056	$ 8,594,632	$ 30,003,542

NOTE 5 - CASH AND INVESTMENTS (CONTINUED)

Foreign currency risk

Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The Plan's holdings in a common collective trust, comprising all of the Plan's investment within the international equity discipline, are primarily composed of underlying investments in international equities primarily in British, Japanese and other Asian companies. The Plan has no stated restrictions on the amount of investment in foreign currency-denominated securities.

Rate of return

For the year ended September 30, 2014, the estimated annual money-weighted rate of return on Plan investments, net of investment expenses, was 2.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 6 - INCOME TAX STATUS

The Plan obtained its latest determination letter as of September 24, 2014, in which the Internal Revenue Service (IRS) stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan’s management and the Plan’s tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, they believe that the Plan was qualified and the related trust was tax-exempt as of the financial statement date.

NOTE 7 - PLAN ADMINISTRATION

The responsibilities for general administration of the Plan are entrusted to a Board of Trustees made up of three elected police officers, three elected firefighters, the Executive Director of Financial Services for the City of Mobile and two members appointed by the governing body of the City of Mobile. The Plan’s assets are held in trust by The Bank of New York Mellon. Plan benefit provisions were established and may be amended by the Plan's Board of Trustees subject to approval by the City of Mobile City Council. Cost of living adjustments may be provided by the Plan's Board of Trustees after consultation with its actuary and other advisors. Contribution requirements were established and may be amended subject to approval by the Board of Trustees and the City of Mobile City Council.

The Plan has an investment advisor and uses various professional investment managers to manage the Plan’s assets.

Certain administrative functions are performed by employees of the City of Mobile. These employees are not compensated by the Plan nor are they members of the Plan. Salaries and other administrative expenses paid by the City of Mobile totaled $212,600 for the year ended September 30, 2014.

NOTE 8 - PLAN TERMINATION

The City of Mobile may terminate the Plan with the consent of the majority of the participants for any reason at any time. In case of termination, the rights of participants to their benefits as of the date of termination, to the extent then funded or protected by law, if greater, shall be non-forfeitable.

NOTE 9 - NET PENSION LIABILITY OF THE CITY

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

Total pension liability	$ 258,973,587
Plan fiduciary net position	(151,689,814)
City's net pension liability	$ 107,283,773
Plan fiduciary net position as a percentage of the total pension liability	58.57%

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2013 (and roll forward to September 30, 2014), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.0 percent per annum
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table

The actuarial assumptions used in the October 1, 2013 valuation were based on results of an actuarial experience study for the period October 1, 2004 through September 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2014 are summarized in the table under the heading "Investment policy" in Note 5 to the financial statements.

NOTE 9 - NET PENSION LIABILITY OF THE CITY (CONTINUED)

Discount rate

The discount rate used to measure the total pension liability was 7.32 percent. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on 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 7.32 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.32 percent) or one percentage point higher (8.32 percent) than the current rate:

	1% Decrease (6.32%)	Current Discount (7.32%)	1% Increase 8.32%)
City's net pension liability	$ 137,280,890	$ 107,283,773	$ 82,792,796

NOTE 10 - RESTATEMENT OF THE FINANCIAL STATEMENTS

With the implementation of GASB Statement No. 67, certain changes in accounting principles have been applied retrospectively. Thus, net position restricted for pensions as of October 1, 2013 has been restated for changes made to comply with the requirements of GASB Statement No. 67.

In prior years, the total amount of deferred retirement benefits that had been accumulated but not distributed at year end under the DROP program were recorded as a liability in the statement of fiduciary net position, with related accruals being expensed and recorded as benefits paid to participants in the statement of changes in fiduciary net position. GASB Statement No. 67 requires DROP balances, similar to other benefit payments, to be recognized as a liability of the Plan only when ultimately due and required to be distributed to Plan members from the DROP account.

NOTE 10 - RESTATEMENT OF THE FINANCIAL STATEMENTS (CONTINUED)

Thus, the financial statements have been restated to report a liability only for benefits due but not yet distributed to members who ended their participation in the DROP program at September 30. Benefits paid to participants only include DROP amounts actually distributed to participants as well as amounts due but not yet distributed. The cumulative effect of the restatement is as follows:

Net position restricted for pensions as previously reported - October 1, 2013	$ 138,907,354
Impact of restatement	2,876,058
Net position restricted for pensions as restated - October 1, 2013	$ 141,783,412
Net increase in net position restricted for pensions as previously reported	$ 19,384,927
Impact of restatement	371,627
Net increase in net position restricted for pensions as restated	$ 19,756,554

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOBILE, ALABAMA
POLICE AND FIREFIGHTERS RETIREMENT PLAN

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

	2014
Change in total pension liability	
Service cost	$ 1,542,522
Interest	18,287,147
Benefit payments, including refunds of member contributions	(17,958,800)
Net change in total pension liability	1,870,869
Total pension liability, beginning	257,102,718
Total pension liability, ending (a)	258,973,587
Change in plan fiduciary net position	
Contributions - employer	14,950,855
Contributions - employees	2,945,173
Net investment income	10,307,058
Benefit payments, including refunds of member contributions	(18,186,135)
Administrative expenses	(110,549)
Net change in Plan fiduciary net position	9,906,402
Plan fiduciary net position, beginning	141,783,412
Plan fiduciary net position, ending (b)	151,689,814
City's net pension liability, ending (a) - (b)	$ 107,283,773
Plan fiduciary net position as a percentage of the total pension liability	58.57 %
Covered-employee payroll	$ 36,010,184
City's net pension liability as a percentage of covered payroll	297.93 %

Note: GASB Statement No. 67 was implemented in Plan year 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF MOBILE, ALABAMA
POLICE AND FIREFIGHTERS RETIREMENT PLAN

SCHEDULE OF INVESTMENT RETURNS

Fiscal Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense
September 30, 2014	2.10 %

Note: GASB Statement No. 67 was implemented in Plan year 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF MOBILE, ALABAMA
POLICE AND FIREFIGHTERS RETIREMENT PLAN

SCHEDULE OF CITY CONTRIBUTIONS

Fiscal Year End	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
September 30, 2014	$ 14,950,855	$ 14,950,855	$ -	$ 36,010,184	41.52 %

Notes to Schedule of Contributions:

Valuation date	October 1, 2013
Notes	Actuarially determined contribution rates are calculated as of September 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.
Other information	There were no changes in benefit provisions or actuarial assumptions as of the actuarial valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Asset valuation method	Open 5-year smoothed market
Inflation	2.75 percent
Salary increases	3.0 percent per annum
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table

Note: GASB Statement No. 67 was implemented in Plan year 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MOBILE, ALABAMA
POLICE AND FIREFIGHTERS RETIREMENT PLAN

REVENUES BY SOURCE

Fiscal Year	Employee Contributions	Employer and Other Contributions	Investment and Other Income/(Loss)	Total
2004	$ 2,296,731	$ 12,122,210	$ 6,689,543	$ 21,108,484
2005	2,317,962	15,581,462	14,503,724	32,403,148
2006	2,393,737	15,403,865	6,848,417	24,646,019
2007	2,579,329	13,520,226	13,101,059	29,200,614
2008	2,873,922	11,881,087	(14,466,340)	288,669
2009	3,117,345	16,473,275	(364,177)	19,226,443
2010	3,034,919	15,037,059	6,824,505	24,896,483
2011	3,043,066	13,852,639	656,029	17,551,734
2012	3,006,582	17,508,284	15,263,723	35,778,589
2013	3,108,945	19,707,446	15,096,423	37,912,814
2014	2,945,173	14,950,855	10,805,399	28,701,427

EXPENSES BY TYPE

Fiscal Year	Benefits	Administrative and Other Expenses	Refunds	Total
2004	$ 13,972,920	$ 327,810	$ 522,790	$ 14,823,520
2005	14,157,626	318,487	530,274	15,006,387
2006	15,276,682	302,893	471,929	16,051,504
2007	15,170,811	323,553	723,959	16,218,323
2008	15,256,315	479,158	530,711	16,266,184
2009	15,396,092	314,469	307,772	16,018,333
2010	15,326,349	414,026	705,860	16,446,235
2011	16,015,197	474,058	674,887	17,164,142
2012	16,485,304	507,675	770,972	17,763,951
2013	16,879,218	608,945	668,097	18,156,260
2014	17,829,219	608,890	356,916	18,795,025