

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

MEMORANDUM ON REVIEW OF
INTERNAL CONTROL STRUCTURE

September 30, 2013 and 2012

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December 6, 2013

Board of Trustees
City of Sunrise Police Officers'
Retirement Plan
Sunrise, Florida

In planning and performing our audits of the financial statements of City of Sunrise Police Officers' Retirement Plan (Plan) for the years ended September 30, 2013 and 2012, we considered the Plan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we observed several matters that are opportunities for strengthening internal controls and operating efficiency.

We present our observation and recommendation under the following caption for your consideration:

Foreign Tax Withholdings and Reclaims
Average Final Compensation
Compensation - Paid or Earned

Foreign Tax Withholdings and Reclaims

Withholding taxes on dividends from foreign securities are provided for based on rates established via treaty between the United States of America and the applicable foreign jurisdiction, or where no treaty exists at the prevailing rate established by the foreign country. Foreign tax withholdings are reflected as a reduction of dividend income in the statement of changes in Plan Net Assets. Where treaties allow for a reclaim of taxes, the Plan should make a formal application for refund. Such reclaims will be included as an addition to dividend income when received.

We observed that the number and amount of foreign tax withholdings has been increasing and the custodian has not been filing for a refund of these withholdings.

We recommended that the Board require that the custodian prepare and file the appropriate claims for foreign tax refunds.

This recommendation has been implemented.

Average Final Compensation

During the fiscal year ended September 30, 2012, the City acknowledged that its AFC calculations were based on the best three consecutive years rather than the best individual three years that consist of 12 consecutive months. Although this AFC definition changed on October 1, 2000, the City never reprogrammed its system to coincide with the City ordinance.

Compensation - Paid or Earned

Another issue that the Board needs to address with the City is the treatment of retroactive pay. The City has determined that the retroactive pay is included in the pensionable wages in the year the pay was earned as opposed to the year in which it was paid. This is despite the fact that “salary” is defined in the pension ordinance as actual fixed compensation paid.

This treatment also does not agree to the Internal Revenue Service definition of when wages are to be considered as income. In addition, the timing of this recognition does not agree to the practices that are widely recognized and prevalent for pension plans.

We recommended that the Board continue to review and resolve both this and the Average Final Compensation issue.

We repeat these recommendations.

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We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with Plan personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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