

*City of Sarasota, Florida  
General Employees' Defined Benefit  
Pension Plan*



*Auditor's Discussion & Analysis  
Financial & Compliance Audit Summary  
September 30, 2015*

**Presented by:**

**Alison Wester, CPA  
(855) 891-0070**

**MAULDIN  
& JENKINS**

# City of Sarasota General Employees' Defined Benefit Pension Plan

*Auditor's Discussion & Analysis (AD&A)*  
September 30, 2015

## PURPOSE OF THE AUDITOR'S DISCUSSION & ANALYSIS

- ◆ Engagement Team and Firm Information.
- ◆ Overview of:
  - Audit Opinion;
  - Financial Statements, Footnotes and Supplementary Information;
  - Compliance Reports;
  - Audit Scopes & Procedures.
- ◆ Required Communications under Government Auditing Standards.
- ◆ Accounting Recommendations and Other Matters.
- ◆ Other Items and Closing Thoughts.
- ◆ Answer Questions.

# City of Sarasota General Employees' Defined Benefit Pension Plan

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## MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

### General Information:

- Founded in 1918.
- Large regional firm serving the Southeastern United States.
- Offices located in Bradenton, FL; Macon, Atlanta, and Albany, GA; Chattanooga, TN; and Birmingham, AL.
- Approximately 260 personnel are employed at Mauldin & Jenkins.

### Governmental Sector:

- Largest specific industry niche served by Firm representing 25% of Firm practice.
- Serve more governmental entities in Southeast than any other certified public accounting firm requiring over 70,000 hours of service on an annual basis.
- Approximately 90 professional staff persons with current governmental experience.
- In past three (3) years, have served approx. 300 governments in the Southeast, including:
  - ✓ 80 cities;
  - ✓ 40 counties;
  - ✓ 45 school systems and 20 charter schools;
  - ✓ 40 state entities;
  - ✓ 80 special purpose entities (stand-alone entities: water/sewer, transit, gas, electric, airports, housing, development, other educational, retirement, libraries, etc.);
  - ✓ Inclusive of the above, we serve 81 governments receiving the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- Experience performing forensic audit services and information technology consultations.
- Experience performing municipal bond debt issuance attestation services serving clients with over \$8.7 billion in aggregate publicly issued debt instruments.
- 10<sup>th</sup> highest level of Single Audits conducted in U.S.A. approximating \$8.0 billion annually.

### Engagement Team Leaders for the Pension Plan Include:

- Alison Wester - Engagement Lead Partner - 20 years of experience
- Wade Sansbury - Quality Assurance Partner - 20 years of experience
- Jennifer Ruffino-Cook - Manager - 6 years of experience

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## MAULDIN & JENKINS – ADDITIONAL INFORMATION

### **Other Industries & Services by Mauldin & Jenkins:**

Each of Mauldin & Jenkins' offices provides a wide variety of services to a broad range of clientele. We have partners and managers who are responsible for specialized practice areas of auditing and accounting, taxes and management advisory services. Their purpose, as leaders in the particular practice area, is to establish policies with respect to technical matters in these specific areas and ensure that the quality of the Firm's practice is maintained.

**Industries Served:** Over the years our partners have developed expertise in certain industries representative of a cross section of the Georgia economy, including:

- Governmental Entities (state entities, cities, counties, school systems, business type operations, libraries, and other special purpose entities)
- SEC Registrants
- Wholesale Distribution
- Agri-Businesses
- Manufacturing
- Professional Services
- Employee Benefit Plans
- Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)
- Non-Profit Organizations
- Retail Businesses
- Long-term Healthcare
- Construction & Development
- Individuals, Estates and Trusts
- Real Estate Management

**Services Provided:** This diversity of practice enables our personnel to experience a wide variety of business, accounting and tax situations. We provide the traditional and not-so-traditional services such as:

- Financial Audit / Review / Compilation
- Compliance Audits & Single Audits
- Agreed-Upon Procedures
- Forensic Audits
- Bond Issuance Services
- Performance Audits
- State Sales Tax Matters
- International Tax Matters
- Business & Strategic Planning
- Profitability Consulting
- Budgeting
- Buy-Sell Agreements & Business Valuation Issues
- Income Tax Planning & Preparation
- Multi-State Income Tax Issues
- Information Systems Consulting
- Cost Accounting Analysis
- Healthcare Cost Reimbursement
- Outsourced Billing Services
- Fixed Asset Inventories
- Succession & Exit Strategy Consulting
- Estate Planning
- Management Information Systems
- Employee Benefit Plan Administration
- Merger / Acquisition & Expansion Financing

# City of Sarasota General Employees' Defined Benefit Pension Plan

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## INDEPENDENT AUDITOR'S REPORT

The independent auditor's report has specific significance to readers of the financial report.

### Management's Responsibility for the Financial Statements

The financial statements are the responsibility of management.

### Auditor's Responsibility

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

### Opinion

We have issued an unmodified audit report (i.e., "clean opinion"). The respective financial statements are considered to present fairly the financial position and results of operations as of, and for the year ended September 30, 2015.

### Emphasis of Matter

The financial statements present only the City of Sarasota General Employees' Defined Benefit Pension Plan and do not purport to, and do not present fairly, the financial position of the City of Sarasota, Florida.

### Other Matters

Certain required supplementary information and other information is included in the financial report, and as directed by relevant auditing standards, we have not expressed an opinion or provided any assurance on the respective information.

### Other Reporting

*Government Auditing Standards* require auditors to issue a report on our consideration of internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. We have issued such a report and reference to this report is included in the independent auditor's report.

# City of Sarasota General Employees' Defined Benefit Pension Plan

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## COMPLIANCE REPORTS

The financial report package contains one compliance report.

**Yellow Book Report:** The compliance report is a report on our tests of the Plan's internal controls and compliance with laws, regulations, etc. The tests of internal controls were those we determined to be required as a basis for designing our financial statement auditing procedures. Such tests also considered the Plan's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. In accordance with the respective standards, the report is **not** intended to provide an opinion, but to provide a form of negative assurance as to the Plan's internal controls and compliance with applicable rules and regulations.

# City of Sarasota General Employees' Defined Benefit Pension Plan

*Auditor's Discussion & Analysis (AD&A)*  
September 30, 2015

## REQUIRED COMMUNICATIONS

### The Auditor's Responsibility Under Government Auditing Standards and Auditing Standards Generally Accepted in the United States of America

Our audit of the financial statements of City of Sarasota General Employees' Defined Benefit Pension Plan (the "Plan") for the year ended September 30, 2015, was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplishes that objective.

In accordance with *Government Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the Plan's internal control or compliance with laws and regulations.

### Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Plan. There are no new accounting standards which will be required to be implemented in the coming years.

In considering the qualitative aspects of the Plan's accounting policies, we did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. The Plan's policies relative to the timing of recording of transactions are consistent with GAAP and typical government organizations.

### Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. We considered this information and the qualitative aspects of management's calculations in evaluating the Plan's significant accounting policies. Estimates significant to the financial statements include such items as: actuarial assumptions and concepts relative to the benefit plan.

# **City of Sarasota General Employees' Defined Benefit Pension Plan**

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## **Financial Statement Disclosures**

The footnote disclosures to the financial statements are also an integral part of the financial statements. The process used by management to accumulate the information included in the disclosures was the same process used in accumulating the financial statements, and the accounting policies described above are included in those disclosures. The overall neutrality, consistency, and clarity of the disclosures was considered as part our audit and in forming our opinion on the financial statements.

## **Significant Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management relating to the performance of the audit.

## **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

## **Representation from Management**

We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us, during the audit. Management provided those written representations without a problem.

## **Management's Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

# City of Sarasota General Employees' Defined Benefit Pension Plan

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## Significant Issues Discussed with Management

There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements. We are not aware of any consultations management had with us or other accountants about accounting or auditing matters. No major issues were discussed with management prior to our retention to perform the aforementioned audit.

## Audit Adjustments

During our audit of the Plan's basic financial statements as of and for the year ended September 30, 2015, there were several adjustments proposed to the Plan. The detail of all proposed adjustments have been provided to and discussed with management.

## Uncorrected Misstatements

We had no passed adjustments.

## Independence

We are independent of the Plan, and all related organizations, in accordance with auditing standards promulgated by the American Institute of Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Plan.

# City of Sarasota General Employees' Defined Benefit Pension Plan

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## FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

**Free Continuing Education.** We provide complimentary continuing education for all of our governmental clients. Annually, we pick a couple of significant topics tailored to be of interest to governmental entities. We provide these complimentary services typically in the summer months over a two day period and typically see 40 to 50 people. We obtain the input and services of experienced outside speakers along with providing instruction utilizing our in-house professionals. We hope staff and officials have been able to participate in this opportunity, and that it has been beneficial to you. Examples of subjects addressed in the past include:

1. American Recovery and Reinvestment Act (ARRA) information and issues;
2. Internal Controls Over Revenue and Cash Receipting;
3. Collateralization of Deposits and Investments;
4. Internal Controls Over Accounts Payable, Payroll and Cash Disbursements;
5. Capital Asset Accounting Processes and Controls;
6. Grant Accounting Processes and Controls;
7. American Recovery and Reinvestment Act (ARRA) Updates;
8. Policies and Procedures Manuals;
9. Segregation of Duties;
10. GASB No. 51—Intangible Assets;
11. Single Audits for Auditees;
12. GASB No. 54—Governmental Fund Balance (subject addressed twice);
13. Best Budgeting Practices, Policies and Processes;
14. Internal Revenue Service (IRS) Compliance Issues, Primarily Payroll Matters;
15. CAFR Preparation (several times including a two (2) day hands-on course);
16. GASB No. 60, Service Concession Arrangements (webcast);
17. GASB No.'s 63 and 65, Deferred Inflows and Outflows (webcast);
18. GASB No. 61, the Financial Reporting Entity (webcast);
19. GASB No.'s 67 & 68, New Pension Standards.

**Governmental Newsletters.** We produce newsletters tailored to meet the needs of governments. The newsletters have addressed a variety of subjects and are intended to be timely in their subject matter. The newsletters are authored by Mauldin & Jenkins partners and managers, and are not purchased from an outside agency. The newsletters are produced and delivered periodically (approximately six (6) times per year), and are intended to keep you informed of current developments in the government finance environment.

**Communication.** In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at [pvercoe@mjcpa.com](mailto:pvercoe@mjcpa.com) (send corresponding copy to [medwards@mjcpa.com](mailto:medwards@mjcpa.com)), and provide to her individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.

# City of Sarasota General Employees' Defined Benefit Pension Plan

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## CLOSING

This information is intended solely for the use of the Plan's management, and others within the Plan's organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve the City of Sarasota General Employees' Defined Benefit Pension Plan and look forward to serving the Plan in the future. Thank you.

**CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT  
PENSION PLAN**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
City of Sarasota  
General Employees' Defined Benefit Pension Plan  
Sarasota, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Sarasota General Employees' Defined Benefit Pension Plan (the "Plan"), as of and for year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of the Plan as of September 30, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the General Employees' Defined Benefit Pension Plan and do not purport to, and do not present fairly, the financial position of the City of Sarasota, Florida, as of September 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 and the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions and Schedule of Investment Returns on pages 19-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 21, 2016

CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015  
(Unaudited)

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The following pages represent Management's Discussion and Analysis (MD&A) of the City of Sarasota General Employees' Defined Benefit Pension Plan (the "Plan"). The intent of this MD&A is to present an assessment of the Plan's financial performance in an effort to more clearly demonstrate to readers the results of this year's financial operations. Readers should also review the financial statements, notes to the financial statements and required supplementary information, which follows this discussion, to further enhance their understanding of the Plan's financial performance.

**Financial Highlights**

- Plan assets exceeded its liabilities as of September 30, 2015 and 2014, by \$134.0 million and \$140.7 million, respectively, reported as net position restricted for pensions.
- The annual money-weighted rate of return on investments net of expenses per the Plan's investment manager was a negative 2.33% for the year ended September 30, 2015.
- The Plan's objective is to meet long-term benefit obligations through contributions and investment income. As of the last actuarial valuation report dated September 30, 2015, the fiduciary net position as a percentage of the total pension liability was 71.26%
- Additions to the Plan's net position for the year ended September 30, 2015, were \$3.9 million and were comprised of contributions of \$7 million, and net investment loss of \$3.1 million.
- Deductions to the Plan's net position for the year ended September 30, 2015, were \$10.6 million and were comprised primarily of benefit payments of approximately \$10.5 million.

**Overview of the Financial Statements**

The following discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The financial statements are the: (1) Statements of Fiduciary Net Position, (2) Statements of Changes in Fiduciary Net Position, and (3) Notes to financial statements.

This report also contains the following "Required Supplementary Information" in addition to the financial statements: (1) Schedule of Changes in Net Pension Liability and Related Ratios, (2) Schedule of Contributions, and (3) Schedule of Investment Return.

CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015  
(Unaudited)

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**Financial Statements**

The financial statements contained in this report are described below.

The Statement of Fiduciary Net Position (page 9) presents information on the assets and liabilities and the resulting net position restricted for pensions as of September 30 2015. The statement reflects the Plan's investments, at fair value, along with cash and cash equivalents, receivables and other assets and liabilities.

The Statement of Changes in Fiduciary Net Position (page 10) presents information showing the change in the Plan's net position restricted for pensions during the year ended September 30, 2015. This statement reflects contributions by members, the City and the County, and investment earnings along with deductions for retirement benefits, refunds and administrative expenses.

The Notes to Financial Statements are an integral part of the financial statements and provide additional information that is essential to the comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which the Plan operates and provide additional levels of detail for select financial statement items (see Notes to Financial Statements on pages 11-18 of this report).

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the ongoing plan perspective. Therefore, in addition to the financial statements explained above, this financial report includes three additional "Required Supplementary Information" schedules with historical trend information. The required schedules are: (1) the Schedule of Changes in Net Pension Liability and Related Ratios, (2) the Schedule of Contributions, and (3) the Schedule of Investment Returns.

**Statement of Fiduciary Net Position**

The following condensed comparative statement of fiduciary net position demonstrates the financial position of the Plan at September 30:

**Statements of Fiduciary Net Position**

	<u>2015</u>	<u>2014</u>
Total assets	\$ 134,543,798	140,856,551
Total liabilities	<u>590,270</u>	<u>201,747</u>
Net position	<u>\$ 133,953,528</u>	<u>140,654,804</u>

CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015  
(Unaudited)

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The Plan's total assets as of September 30, 2015 and 2014, were \$134.5 million and \$140.9 million, respectively, and were mostly comprised of cash, cash equivalents and investments. Total assets decreased \$6 million from 2014 due primarily to a decrease in investment holdings.

Total liabilities as of September 30, 2015 and 2014, were \$590,270 and \$201,747, respectively, and were mostly comprised of payables for investment management fees due at year end.

Plan assets exceeds its liabilities as of September 30, 2015, by \$134.0 million. Total net position restricted for pensions decreased \$6.7 million or 4.6%. The decrease was from contributions and investment income less benefits paid.

**Statement of Changes in Fiduciary Net Position**

The statement of changes in fiduciary net position displays the effect of pension Plan transactions that occurred during the year, where Additions – Deductions = Increase (Decrease) in Plan net position. The table below reflects a condensed comparative summary of the changes in net position and reflects the activities of the Plan for the Years ended September 30:

Statements of Changes in Fiduciary Net Position

	2015	2014
Additions		
Contributions	\$ 7,020,802	6,805,220
Net investment income (loss)	(3,099,197)	13,236,828
Total additions	3,921,605	20,042,048
Deductions		
Benefit payments	10,452,370	9,957,849
Administration expenses	157,689	166,043
Refunds of participant contributions	12,822	124,586
Total deductions	10,622,881	10,248,478
Increase (decrease) in Fund net position	(6,701,276)	9,793,570
Net position restricted for pensions		
Beginning of year	140,654,804	130,861,234
End of year	\$ 133,953,528	140,654,804

CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015  
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**Additions to Fiduciary Net Position**

The following condensed comparative summary demonstrates the additions to the Plan for the year ended September 30:

<b>Additions to Net Position</b>				
	2015	2014	Change	% Change
Contributions				
Plan members	\$ 767,707	791,009	(23,302)	(2.95)
City of Sarasota	6,141,916	5,889,483	252,433	4.29
Sarasota County	107,691	122,107	(14,416)	(11.81)
Other	3,488	2,621	867	33.08
Net investment income (loss)	(3,099,197)	13,236,828	(16,336,025)	(123.41)
 Total additions	 \$ 3,921,605	 20,042,048	 (16,120,443)	 (80.43)

The revenues needed to finance retirement benefits are accumulated through the collection of contributions from plan member, the City and the County and through earnings on investments (total additions).

Total additions for 2015 decreased by \$16.1 million or 80%. The decrease in additions for 2015 were primarily due to investment losses of \$3.1 million as compared to investment gains of \$13.2 million in 2014 and a \$23,000 decrease in plan member contributions when compared to last year. Employee contributions decreased in 2015 primarily due to participants entering the DROP or retiring and general employees hired on or after September 7, 2011, enrolling in a separate contribution retirement plan.

These decreases were offset by a \$238,017 increase in contributions from the City and County primarily due to the change in actuarial calculation of the employer's contribution. The City and the County contribution for 2015 changed to dollar based contribution determination method in order to continue funding the Plan adequately as covered payroll continues to decline. Therefore, \$6.2 million was required to be contributed by the employers for 2015, compared to \$6.0 million contributed in 2014.

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GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
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**Deductions from Fiduciary Plan Net Position**

The table below reflects a condensed comparative summary of the deductions of the Plan for the year ended September 30:

**Deductions From Fiduciary Net Position**

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Benefit payments	\$ 10,452,370	9,957,849	494,521	4.97
Administrative expenses	157,689	166,043	(8,354)	(5.03)
Refunds of participant contributions	<u>12,822</u>	<u>124,586</u>	<u>(111,764)</u>	<u>(89.71)</u>
 Total deductions	 <u>\$ 10,622,881</u>	 <u>10,248,478</u>	 <u>374,403</u>	 3.65

During 2015, the Plan distributed \$10.4 million to retired employees and their beneficiaries, and DROP participants in comparison to \$9.9 million in 2014. For 2015, DROP distributions were \$230,165 compared to \$237,087 in 2014.

**Retirement System as a Whole**

The Plan's net position experienced a decrease in the current year due to investment returns combined with benefit payments. We believe the assets of the Plan could increase due to diversification in our investment policy.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Sarasota General Employees' Defined Benefit Plan's finances for those with an interest in the Plan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sarasota General Employees' Defined Benefit Pension Plan at 1565 1<sup>st</sup> Street, Sarasota, Florida 34236.

**CITY OF SARASOTA**  
**GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2015**

	2015
<b>Assets</b>	
Cash and equivalents	\$ 644,935
Receivables	
Accounts	512,269
Interest and dividends	210,032
Total receivables	722,301
Investments, at fair market value	
Money market funds	3,249,795
U.S. Government securities	8,431,724
U.S. Government agency securities	11,380,075
Common and preferred stock	83,300,545
Corporate bonds and notes	8,005,463
Real estate funds	14,672,077
Foreign stocks	4,117,353
Total investments	133,157,032
Other assets	
Prepaid items	19,530
Equipment	575
Less accumulated depreciation	(575)
Total other assets	19,530
Total assets	\$ 134,543,798
<b>Liabilities</b>	
Accounts payable	\$ 584,584
Accrued wages	4,256
Compensated absences	1,430
Total liabilities	590,270
<b>Net position restricted for pensions</b>	133,953,528
Total liabilities and net position	\$ 134,543,798

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See accompanying notes to financial statements.

**CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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	2015
<b>Additions</b>	
Contributions	
Plan members	\$ 767,707
City of Sarasota	6,141,916
Sarasota County	107,691
Other	3,488
Total contributions	7,020,802
Investment income	
Net increase (decrease) in fair value of investments	(5,080,841)
Interest	725,320
Dividends	2,132,281
Total investment income (expense)	(2,223,240)
Less investment expenses	(875,957)
Net investment income (expense)	(3,099,197)
Total additions	3,921,605
<b>Deductions</b>	
Benefits	10,452,370
Administrative expenses	157,689
Refunds of contributions	12,822
Total deductions	10,622,881
<b>Net increase (decrease) in net position</b>	(6,701,276)
Net position restricted for pension benefits	
Beginning of year	140,654,804
End of year	\$ 133,953,528

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See accompanying notes to financial statements.

**CITY OF SARASOTA**  
**GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The City of Sarasota General Employees' Defined Benefit Pension Plan's (the "Plan") financial statements are prepared using the accrual basis of accounting. Contributions from the Plan's members are recognized as revenues in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Reporting Entity: The financial statements presented are only for the General Employees' Defined Benefit Pension Plan of the City of Sarasota, Florida, and are not intended to present the basic financial statements of the City of Sarasota, Florida (the "City").

The General Employees' Defined Benefit Pension Plan is included in the City's Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2015. Anyone wishing further information about the City is referred to the City's CAFR.

The General Employees' Defined Benefit Pension Plan is a pension trust fund (fiduciary fund type) of the City which accounts for the single employer defined benefit pension plan for General Employees. The provisions of the Plan provide for retirement, disability and survivor benefits.

Financial Statement Presentation: The Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 67 *Financial Reporting for Pension Plans* for the fiscal year ended September 30, 2014. In addition to other disclosures, GASB Statement No. 67 requires the following schedules be included in the Required Supplementary Information section of this report:

- A 10-year schedule of changes in the net pension liability.
- A 10-year schedule of contributions.
- A 10-year schedule of the annual money-weighted rate of return on pension plan investments.

Until a full 10-year trend is compiled, the Plan will present information for those years for which information is available.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, the disclosure of contingent assets and liabilities, and the accrued actuarial liability at the date of the financial statements. Accordingly, actual results may differ from those estimates.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Fair value of other securities is determined by the mean of the most recent bid and asked prices obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan's Board of Trustees, with the assistance of a valuation service.

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**CITY OF SARASOTA**  
**GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

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NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

Plan Administration: The City of Sarasota General Employees' Defined Benefit Pension Plan, a defined benefit single employer public employee retirement plan, is administered by the Plan's Board of Trustees in accordance with Chapter 24, Article II, of the Sarasota City Code, 1986, as restated on November 16, 2009. The Plan's Board of Trustees consists of the City Auditor and Clerk, the Finance Director, four members of the Plan, and a trustee who is a legal resident of the City and appointed by the City Commission. The City Commission approves all plan provisions and amendments.

Plan Membership: At September 30, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	419
Inactive plan members entitled to but not yet receiving benefits	22
Active plan members	<u>211</u>
Total	<u><u>652</u></u>

Benefits Provided: The Plan covers permanent, probationary and full time City of Sarasota employees who are not members of the Police Officers' or Firefighters' Pension Plans and were hired prior to September 7, 2011. The Plan also covers some previous City employees that became Sarasota County employees through consolidation. Members may retire as early as age 55 with 10 years of service. Such a retiree would receive a retirement benefit based upon a percentage of average annual earnings during the highest four years of the last 10 years of employment prior to the date of retirement multiplied by the years of service. The retirement benefit percentage increases based upon the retiree's age up to a maximum of 2.5% at age 65, or after 30 years of service regardless of age. The Plan provides disability benefits as if the participant retired at age 65, providing that 10 years of credited service has been attained. If an employee separates service from the City before achieving 10 years of credited service, the employee will receive their contributions plus 4.5% interest compounded annually.

Contributions: Plan members are required to contribute 6% of their annual pay to the Plan and the City and County contributions must be at least 8% of annual payroll. The Plan's Board of Trustees has elected to change to a dollar-based contribution determination method, therefore \$6,249,607 is required to be contributed by the City and County for the fiscal year ended September 30, 2015. The actuarially determined City and County contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

During the year ended September 30, 2015, contributions were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of September 30, 2013. Contributions totaling \$7,017,314 were from the following sources: the City and County contributed \$6,249,607, and plan members contributed \$767,707.

**CITY OF SARASOTA**  
**GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 – DEFERRED RETIREMENT OPTION PLAN**

Effective November 20, 2000, the City approved an ordinance creating a deferred retirement option plan (DROP). In lieu of terminating employment, any member may elect to defer receipt of such service retirement pension and to participate in the DROP. A member's participation in the DROP may not exceed 60 months beginning at the time the election becomes effective. A member may participate only once. An account is established for each member participating in the DROP. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment and the earnings on those amounts. The accounts of members that entered the DROP prior to December 28, 2011, will be credited with interest at an effective rate of 6.5% per annum compounded quarterly. The accounts of members that entered DROP on or after December 28, 2011, will be credited with interest at an effective rate of 2% per annum compounded quarterly. The accrued benefit at September 30, 2015, was \$1,341,970 and is included in net position restricted for pensions.

**NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents include cash on hand, amounts in demand and time deposits and short-term investments with original maturity dates within three months to the date acquired by the Plan. All of the Plan's deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositor are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

Investment Policy: All investments of the Plan must be consistent with the investment policy adopted by the Plan's Board of Trustees. The policy is structured to maximize the financial return to the Plan consistent with the risks incumbent in each investment and is structured to establish and maintain an appropriate diversification of the Plan's assets. Investments of the Plan are comprised of money market funds, US Government securities, US Government agency securities, common and preferred stocks, corporate bonds and notes, real estate funds, and foreign stocks as authorized by Plan policies.

**CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
NOTES TO FINANCIAL STATEMENTS**

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NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	25%
Domestic equity	55%
International equity	15%
Real estate	5%
	<u>100%</u>

Rate of return - For the year ended September 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was a negative 2.33%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. As of September 30, 2015, the Plan had the following cash, cash equivalents and investments:

<u>Portfolio/Investments</u>	<u>Fair Value</u>	<u>Duration (Years)</u>
Cash deposits	\$ 644,935	Not Applicable
Money market funds	3,249,795	Not Applicable
US Government securities	8,431,724	5-10
US Government agency securities	11,380,075	5-10
Common and preferred stock	83,300,545	Not Applicable
Real estate funds	14,672,077	Not Applicable
Corporate bonds and notes	8,005,463	5-10
Foreign stocks	4,117,353	Not Applicable
Total cash and investments	<u>\$ 133,801,967</u>	

Interest Rate Risk: The Plan manages exposure to declines in fair values through other methods such as evaluating the credit rating, diversifying the investments in the portfolio, and outside portfolio consulting. The Plan does not limit the weighted average maturity of its investment portfolio.

Credit Risk: The Plan must operate in compliance with all applicable state and federal laws concerning the investment of pension assets. All equity investments are limited to those issues that are traded on a major stock exchanges or in over-the-counter securities for which there is an active market maker regulated by the NASD. Investments in corporate fixed income securities must hold a rating in one of the three highest classifications by a major rating service. If commercial paper is used, it must be rated A-1 or P-1.

**CITY OF SARASOTA**  
**GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

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NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk: The Plan does not allow for any investment in more than 10% (at market) of an investment manager's equity portfolio to be invested in the shares of a single corporate issuer. Investments in equity securities shall not exceed 75% of the market value of the total Plan assets. Except of Treasury and agency obligations, no more than 10% (at cost) of any investment manager's total fixed income portfolio shall be invested in the securities of a single issuer. No more than 17.5% (at market) of the Plan's assets may be invested in securities issues by corporations domiciled outside the United States.

Custodial Credit Risk: For an investment, this 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 does not believe that they have a custodial risk exposure as all their securities are insured, registered and held by an outside custodian.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan does not have a policy that addresses the risks associated with investments in foreign currency. The Plan holds \$4,117,353 in international investments. This amount represents approximately 3% of total plan investments. Most of the international investments are denominated in US dollars, therefore minimizing the foreign currency risk.

NOTE 5 – NET PENSION LIABILITY

The net pension liability is measured as the total pension liability, less the amount of the Pension Plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoother actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

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

Total pension liability	\$ 187,979,155
Plan fiduciary net position	133,953,528
Net pension liability	<u>\$ 54,025,627</u>
Plan fiduciary net position as a percentage of the total pension liability	71.26%

**CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
NOTES TO FINANCIAL STATEMENTS**

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NOTE 5 – NET PENSION LIABILITY (CONTINUED)

Actuarial Assumptions: The total pension liability, net pension liability and certain sensitivity information are based on an actuarial valuation performed as of September 30, 2014. The total pension liability was rolled forward from the valuation date to the Plan year ending September 30, 2015, using the following actuarial assumptions applied to all measurement periods:

Inflation	2.3%
Salary increases	4.8 to 7.2% depending on service, including inflation
Investment rate of return	7.0%, net of pension plan investment expense

As of September 30, 2015, mortality rates were based on the 1994 Uninsured Pensioners Mortality Table with mortality improvements projected to the year 2014 using Scale AA to the RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA.

The actuarial assumptions used in the September 30, 2014, valuation were based on the results of an actuarial experience study for the period October 1, 2013 to September 30, 2014.

The long-term expected rate of return on plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense) are developed for each major asset class. These ranges are combined to produce 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 pension plan's target asset allocation as of September 30, 2015, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Fixed income	2.43%
Domestic equity	7.90%
International equity	7.35%
Real estate	5.17%
Other (MLPs)	9.70%

Discount Rate: A single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on Plan investments of 7.0%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate.

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**CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
NOTES TO FINANCIAL STATEMENTS**

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NOTE 5 – NET PENSION LIABILITY (CONTINUED)

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 (7.0%) was applied to all periods of projected benefit payments to determine the total pension liability. The single discount rate was developed as follows:

Single discount rate	7.00%
Long-term expected rate of return	7.00%
Long-term municipal bond rate*	4.11%
Last year ending September 30 in the 2015 to 2114 projection period for which projected benefit payments are fully funded	2114

\*Source: "State & local bonds" rate from the Federal Reserve statistical release (H.15) as of September 25, 2014. The statistical release describes this rate as "Bond Buyer Index, general obligation, 20 years to maturity, mixed quality." In describing this index, the Bond Buyer notes that the Bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's AA rating.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the Plan's net pension liability, calculated using a single discount rate of 7.0%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	1% Decrease	Current Discount Rate	1% Increase
	6.0%	7.0%	8.0%
Net pension liability	\$ 74,995,855	\$ 54,025,627	\$ 36,326,881

NOTE 6 – RISK AND UNCERTAINTIES

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

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**CITY OF SARASOTA**  
**GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

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NOTE 6 – RISK AND UNCERTAINTIES (CONTINUED)

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

NOTE 7 – SUBSEQUENT EVENTS

The Plan has evaluated all events subsequent to the statements of plan net position date of September 30, 2015, through March 21, 2016, the date these financial statements were available for issuance, and have determined that there are no subsequent events that require disclosure under FASB Accounting Standard Codification.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

	2015	2014
<b>Total pension liability</b>		
Service cost	\$ 2,119,194	\$ 2,036,380
Interest	12,562,868	12,150,963
Benefit changes	-	-
Difference between actual and expected experience	101,089	(19,854)
Assumption changes	-	1,949,249
Benefit payments (discounted to beginning of year)	(10,450,901)	(9,957,849)
Refunds (discounted to beginning of year)	(12,822)	(124,586)
<b>Net change in total pension liability</b>	<u>4,319,428</u>	<u>6,034,303</u>
<b>Total pension liability, beginning</b>	<u>183,659,727</u>	<u>177,625,424</u>
<b>Total pension liability, ending (a)</b>	<u><u>\$ 187,979,155</u></u>	<u><u>\$ 183,659,727</u></u>
<b>Plan fiduciary net position</b>		
Contributions, employer	\$ 6,249,607	\$ 6,011,590
Contributions, member	767,707	791,009
Net investment income	(3,099,197)	13,236,828
Benefit Payments (discounted to beginning of year)	(10,452,370)	(9,957,849)
Refunds (discounted to Beginning of year)	(12,822)	(124,586)
Administrative expenses	(157,689)	(166,043)
Other	3,488	2,621
<b>Net change in plan fiduciary net position</b>	<u>(6,701,276)</u>	<u>9,793,570</u>
<b>Plan fiduciary net position, beginning</b>	<u>140,654,804</u>	<u>130,861,234</u>
<b>Plan fiduciary net position, ending (b)</b>	<u><u>\$ 133,953,528</u></u>	<u><u>\$ 140,654,804</u></u>
<b>Net pension liability, ending (a) - (b)</b>	<u><u>\$ 54,025,627</u></u>	<u><u>\$ 43,004,923</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	71.26%	76.58%
<b>Covered employee payroll</b>	\$ 13,778,114	\$ 14,151,688
<b>Net pension liability as a percentage of covered employee payroll</b>	392.11%	303.89%

**Notes to the Schedule**

The schedule will present 10 years of information once it is accumulated.

**CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS**

	2015	2014
Actuarially determined contribution	\$ 6,249,607	\$ 6,011,590
Actual contribution	6,249,607	6,011,590
Contribution deficiency (excess)	\$ -	\$ -
Covered Payroll	\$ 13,778,114	\$ 14,151,688
Covered employee payroll		
Actual contribution as a % of covered payroll	45.36%	42.48%

Valuation Date September 30, 2014

Notes Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	21 years
Asset valuation method	5 year smoothed market
Inflation	2.3%
Salary increases	4.8% to 7.2% depending on service, including inflation
Investment rate of return	7.0%
Retirement age	Experience based table of rates are specific to the type of eligibility condition
Mortality	1994 Uninsured Pensioners Mortality Table projected to to the year 2014 using Scale AA

Other information:

Notes There were no benefit changes during the year; effective September 30, 2014, the mortality table was changed to the 1994 Uninsured Pensioners Mortality Table with mortality improvements projected to the year 2014 using Scale AA to the RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA.

**Notes to the Schedule**

The schedule will present 10 years of information once it is accumulated.

**CITY OF SARASOTA  
GENERAL EMPLOYEES' DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF INVESTMENT RETURNS**

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	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	(2.33%)	10.41%

**Notes to the Schedule**

The schedule will present 10 years of information once it is accumulated.

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**OTHER AUDITOR'S REPORT**

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

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Board of Trustees  
City of Sarasota  
General Employees' Defined Benefit Pension Plan  
Sarasota, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Sarasota General Employees' Defined Pension Plan (the "Plan") as of September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 21, 2016



March 21, 2016

Mauldin & Jenkins, LLC  
1401 Manatee Avenue West, Suite 1200  
Bradenton, Florida 34205-7440

This representation letter in connection with your audit of the financial statements of the City of Sarasota General Employees' Defined Benefit Pension Plan (the "Plan") which comprise the Statement of Plan Net Position as of September 30, 2015, and the related Statement of Changes in Plan Net Position for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP), and whether the supplemental schedule is fairly stated in all material respects in relation to the financial statements as a whole

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 21, 2016, the following representations made to you during your audit.

#### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 4, 2015, including our responsibility for the preparation and fair presentation of the financial statements.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP and the notes include all disclosures required by laws and regulations to which the Plan is subject.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- Significant assumptions were used in making accounting estimates, including those measured at fair value, are reasonable.
- Related-party relationships and transactions and relationships and transactions with parties-in-interest have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- We are in agreement with adjusting journal entries you have proposed, and they have been posted to the Plan's accounts.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation, claims and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- There are no other matters that legal counsel has advised us that must be disclosed (e.g., breach of fiduciary responsibilities or events that may jeopardize the tax status).
- There are no material concentrations that are required to be disclosed in accordance with U.S. GAAP.
- Financial instruments with concentrations of credit risk have been properly recorded or disclosed in the financial statements.
- Guarantees, whether written or oral under which the Plan is contingently liable, have been properly recorded or disclosed in the financial statements.
- The supplemental schedule or financial statements disclose all investments or loans in default or considered to be uncollectible.

**Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence.

- Plan instruments, trust agreements, insurance contracts, or investment contracts and amendments to such documents entered into during the year, including amendments to comply with applicable laws.
- Actuarial reports prepared for the Plan and the Plan's sponsor during the year.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Plan and involves:
  - Management.
  - Employees who have significant roles in internal control.
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the Plan's related parties and parties in interest and all the related-party and party-in-interest relationships and transactions of which we are aware.
- The Plan has satisfactory title to all owned assets, which are recorded at fair value, and all liens, encumbrances or security interest requiring disclosure in the financial statements have been properly disclosed.
- We have no:
  - Plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
  - Intentions to terminate the Plan.
- Amendments to the Plan instrument, if any, have been properly recorded or disclosed in the financial statements.

- We have no knowledge of any omissions from the participant's data provided to the Plan's actuary for the purpose of determining the actuarial present value of accumulated Plan benefits and actuarial present value of the Plan's benefit obligations or liability for claims incurred by not reported and other actuarially determined amounts in the financial statements.
- The Plan Administrator agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the Plan's accumulated Plan benefits, benefit obligations or liability for claims incurred by not reported and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances. We did not give any instructions, nor cause any to be given, to the Plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the Plan's actuary.
- We have no knowledge of any changes in:
  - The actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements.
  - Plan provisions between the actuarial valuation date and the date of this letter.
- The Plan has complied with all aspects of debt and/or other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- The methods and significant assumptions used to estimate fair values of financial instruments, including non-readily marketable securities, are as disclosed in the financial statements. The methods and significant assumptions used result in a measure of fair value appropriate for financial measurement and disclosure purposes.
- All required filings of the Plan documents with the appropriate agencies have been made.
- The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and we intend to continue them as a qualified Plan (and trust). The Plan sponsor has operated the Plan and trust in a manner that did not jeopardize this tax status.
- The Plan has complied with regulations concerning the timely remittance of participant contributions to trusts containing assets for the Plan.
- The Plan has complied with the fidelity bonding requirements.
- We have apprised you of all communications, whether written or oral, with regulatory agencies concerning the operation of the Plan.

- As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- We acknowledge our responsibility for presenting the required supplementary information in accordance with U.S. GAAP, and we believe the required supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- We have obtained the service auditor's report from our service organization, Salem Trust. We have reviewed such report, including the complementary user controls. We have implemented the relevant user controls, and they were in operation for the year ended September 30, 2015.

Please let me know if I can be of further assistance.

Sincerely,



Pamela M. Nadalini, MBA, CMC  
City Auditor and Clerk

c: City Commission  
Charter Officials  
General Employees' Pension Plan Board  
Harry Ramphal, Pension Plans Administrator  
File