

*City of Sarasota, Florida  
Police Officers' Pension Fund*



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

**Presented by:**

**Alison Wester, CPA  
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**MAULDIN  
& JENKINS**

# City of Sarasota Police Officers' Pension Fund

*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 Police Officers' Pension Fund

## *Auditor's Discussion & Analysis (AD&A)*

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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 Fund 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

# City of Sarasota Police Officers' Pension Fund

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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 Police Officers' Pension Fund

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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 Police Officers' Pension Fund 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 Police Officers' Pension Fund

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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 Fund'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 Fund'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 Fund's internal controls and compliance with applicable rules and regulations.

# City of Sarasota Police Officers' Pension Fund

*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 Police Officers' Pension Fund (the "Fund") 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 Fund'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 Fund. There are no new accounting standards which will be required to be implemented in the coming years.

In considering the qualitative aspects of the Fund'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 Fund'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 Fund'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 Police Officers' Pension Fund**

## ***Auditor's Discussion & Analysis (AD&A)***

**September 30, 2015**

### **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 Police Officers' Pension Fund

## *Auditor's Discussion & Analysis (AD&A)*

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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 Fund's basic financial statements as of and for the year ended September 30, 2015, there were several adjustments proposed to the Fund. 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 Fund, 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 Fund.

# City of Sarasota Police Officers' Pension Fund

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## RECOMMENDATIONS FOR IMPROVEMENT

### Items Cited Only Within the Audit Agenda

In order to determine that census data reported to the actuary was correct, we tested the following employee populations.

Fifteen (15) new employees were selected for testing to verify census information and to recalculate their contribution amounts. The following errors were identified:

- One employee's hire date was incorrectly input as May 12, 2015, and it was May 13, 2015, in the personnel records.
- One employee's birth date was incorrectly input as October 26, 1969, and it was October 23, 1969, in the personnel records.
- The regular pay for one employee was \$3,552.61 and it should have been \$6,499.33 resulting in an under contribution of \$235.74 reported in the census information. The amount on the paystubs was correct.

Twenty-five (25) employees were selected for testing to verify census information and to recalculate their contribution amounts. The following errors were identified:

- One employee's hire date was incorrectly input as May 1, 1995, and it was May 1, 1996, in the personnel records.
- One employee's birth date was incorrectly input as June 24, 1985, and it was March 24, 1985, in the personnel records.

All errors related to human error during the manual entry process by an employee who is no longer with the City. We recommend the Fund staff implement verification procedures for census information inputs to prevent future errors.

# City of Sarasota Police Officers' Pension Fund

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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 Police Officers' Pension Fund

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## CLOSING

This information is intended solely for the use of the Fund's management, and others within the Fund'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 Police Officers' Pension Fund and look forward to serving the Fund in the future. Thank you.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

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## INDEPENDENT AUDITOR'S REPORT

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Board of Trustees  
City of Sarasota  
Police Officers' Pension Fund  
Sarasota, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Sarasota Police Officers' Pension Fund (the "Fund") as of and for the year ended September 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management of the Fund 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 Fund 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 City of Sarasota Police Officers' Pension Fund 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 years 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.

### **Prior Period Financial Statements**

The financial statements of the City of Sarasota Police Officers' Pension Fund (the "Fund"), as of and for the year ended September 30, 2014, were audited by other auditors whose report dated March 3, 2015, expressed an unmodified opinion.

### **Other Matter**

#### *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 Schedule of Changes in the City's Net Pension Liability and Related Ratios, Schedule of Contributions and Schedule of Investment Returns on pages 22-24 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 April 8, 2016, on our consideration of the Fund'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 Fund's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida  
April 8, 2016

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
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 Police Officers' Pension Fund (the "Fund"). It depicts and reviews the financial picture and activities of the Fund as of and for the years ended September 30, 2015 and 2014.

The intent of this MD&A is to present a picture and assessment of the Fund'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 supplemental information, which follows the discussion, to further enhance their understanding of the Fund's financial performance.

### **Financial Highlights**

- Fund assets exceeded its liabilities as of September 30, 2015 and 2014, by approximately \$193 and \$196 million, respectively (reported as net position, restricted for pension benefits).
- Per the actuarial reports, the Fund had a return on total investments net of investment fees of .05% and 9.7% for the years ended September 30 2015 and 2014, respectively.
- The Fund's objective is to meet long-term benefit obligations through contributions and investment income. As of the latest actuarial valuation reports dated September 30, 2015 and 2014, the percent funded was approximately 77.7% and 82.0%, respectively.
- Additions to the Fund net position for the years ended September 30, 2015 and 2014, were approximately \$10.4 million and \$27.8 million, respectively, and is comprised of contributions of approximately \$9.26 million and \$9.0 million, respectively, and net investment gain of approximately \$1.1 million and \$18.8 million respectively.
- Deductions to Fund net position for the years ended September 30, 2015 and 2014, were approximately \$13.7 million and \$12.9 million, respectively, and are comprised primarily of benefit payments of approximately \$13.5 million and \$12.7 million, respectively.

### **Overview of the Financial Statements**

The Fund's financial statements consist of: (1) Statements of Fiduciary Net Position, (2) Statements of Changes in Fiduciary Net Position, and (3) Notes to financial statements. Also, included is certain required supplementary information. These financial statements report information about the Fund, as a whole, and about the financial condition that should help answer the question: Is the Fund, as a whole, better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The statements of fiduciary net position (page 9) present information on the assets and liabilities and the resulting net position, restricted for pension benefits during the years ended September 30, 2015 and 2014. These statements reflect the Fund's investments, at fair value, along with cash and cash equivalents, receivables and other assets and liabilities.

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**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015  
(Unaudited)**

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The statements of changes in fiduciary net position (page 10) presents information showing the change in the Fund's net position, restricted for pension benefits during the years ended September 30, 2015 and 2014. These statements reflect contributions by members, the City, the State of Florida and investment earnings or losses along with deductions for retirement benefits, refunds and administrative expenses.

The notes to financial statements (pages 11-21) provide additional information that is essential to a full understanding of the data provided in the financial statements.

The required supplementary information and the related notes present a Schedule of Changes in the City's Net Pension Liability and Related Ratios, Schedule of Contributions and Schedule of Investment Returns, along with discussion of actuarial assumptions and methods.

**Statements of Fiduciary Net Position**

The following condensed comparative statements of fiduciary net position demonstrate the financials position of the Fund at September 30:

**Statements of Fiduciary Net Position**

	2015	2014	2013
Total assets	\$ 192,921,230	196,218,568	181,303,799
Total liabilities	<u>137,935</u>	<u>190,118</u>	<u>166,259</u>
Net position, restricted for pension benefits	<u>\$ 192,783,295</u>	<u>196,028,450</u>	<u>181,137,540</u>

The Fund's total assets as of September 30, 2015 and 2014, were approximately \$192.9 million and \$196.2 million, respectively, and were mostly comprised of cash and cash equivalents and investments. The 2015 total assets decreased approximately \$3.2 million or 1.6% from 2014 due primarily to a decrease in investment holdings. The 2014 total assets increased approximately \$14.9 million or 8.2% from 2013 due primarily to an increase in investment holdings.

Total liabilities as of September 30, 2015 and 2014, were approximately \$138,000 and \$190,000, respectively, and were mostly comprised of accounts payable. Total liabilities, as of September 30, 2015, decreased approximately \$52,000 or 27% from 2014. Total liabilities as of September 30, 2014, increased approximately \$24,000 or 14.4% from 2013.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015  
(Unaudited)**

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**Statement of Changes in Fiduciary Net Position**

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

**Statements of Changes in Fiduciary Net Position**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Additions			
Contributions	\$ 9,260,728	8,983,785	6,634,477
Net investment gain (loss)	1,171,981	18,826,129	23,228,698
Total additions	<u>10,432,709</u>	<u>27,809,914</u>	<u>29,863,175</u>
Deductions			
Benefit payments	13,454,067	12,738,564	10,986,663
Administrative expenses	216,797	173,072	190,905
Refunds of participant contributions	7,000	7,368	38,758
Total deductions	<u>13,677,864</u>	<u>12,919,004</u>	<u>11,216,326</u>
Increase (decrease) in Fund net position	(3,245,155)	14,890,910	18,646,849
Net position, restricted for pension benefits			
Beginning of year	<u>196,028,450</u>	<u>181,137,540</u>	<u>162,490,691</u>
End of year	<u>\$ 192,783,295</u>	<u>196,028,450</u>	<u>181,137,540</u>

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015  
(Unaudited)**

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**Additions to Fiduciary Net Position**

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

**Additions to Fiduciary Net Position**

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Contributions				
Employees	\$ 825,351	760,571	64,780	8.5
City of Sarasota	7,864,404	7,678,913	185,491	2.4
State of Florida	570,973	544,301	26,672	4.9
Investment gain (loss), net	1,171,981	18,826,129	(17,654,148)	(93.8)
Total additions	<u>\$ 10,432,709</u>	<u>27,809,914</u>	<u>(17,377,205)</u>	<u>(62.5)</u>
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Contributions				
Employees	\$ 760,571	764,650	(4,079)	(0.5)
City of Sarasota	7,678,913	5,322,918	2,355,995	44.3
State of Florida	544,301	546,909	(2,608)	(0.5)
Investment gain (loss), net	18,826,129	23,228,698	(4,402,569)	(19.0)
Total additions	<u>\$ 27,809,914</u>	<u>29,863,175</u>	<u>(2,053,261)</u>	<u>(6.9)</u>

The reserves needed to finance retirement benefits are accumulated through the collection of contributions from employees, the State and the City and through earnings on investments (total additions). Total additions for the years ended September 30, 2015 and 2014, totaled approximately \$10.4 million and \$27.8 million, respectively. Total additions for 2015 decreased from 2014 by approximately \$17.4 or (62.5%). The decrease in additions for 2015 was primarily due to smaller approximate gain of \$1.1 million on investments. Total additions for 2014 decreased from 2013 by approximately \$2.0 million or (6.9%). The decrease in additions for 2014 was primarily due to smaller approximate gain of \$4.4 million on investments.

Employee contributions have increased in 2015 due to an increase in participants. There was a decline in 2014 due primarily to the decrease in participants caused by police officers entering the DROP or retiring. Additionally, the City contributions for 2015 and 2014 increased primarily due to the change in actuarial calculation of the City's contribution. The actuarial estimate used for 2015 was 80.3% of compensation, compared to 80.7% in 2014 and 65.7% in 2013.

Contributions from the State of Florida have increased slightly in 2015 and decreased in 2014 due primarily to fluctuations in the City's excise tax revenue.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015  
(Unaudited)**

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**Deductions from Fiduciary Net Position**

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

**Deductions From Fiduciary Net Position**

	2015	2014	Change	% Change
Benefit payments	\$ 13,454,067	12,738,564	715,503	5.6
Administrative expenses	216,797	173,768	43,029	24.8
Refunds of participant contributions	7,000	7,368	(368)	(5.0)
Total deductions	<u>\$ 13,677,864</u>	<u>12,919,700</u>	<u>758,164</u>	5.9

  

	2014	2013	Change	% Change
Benefit payments	\$ 12,738,564	10,986,663	1,751,901	15.9
Administrative expenses	173,768	190,905	(17,137)	(9.0)
Refunds of participant contributions	7,368	38,758	(31,390)	(81.0)
Total deductions	<u>\$ 12,919,700</u>	<u>11,216,326</u>	<u>1,703,374</u>	15.2

The payments of pension benefits increased in 2015 due primarily to the increase in the number of retirees and participants entering the DROP program. Additionally, the benefit paid to retirees increases by the cost of living adjustment of 3.2% each year.

There was no change in the 185 reserve from 2015 to 2014. Any state contributions above the 1998 contribution amount of \$638,128 are used to fund the reserve for future benefits for retirees.

**Retirement System as a Whole**

The Fund's net position experienced a decrease in the current year due to negative returns in the stock market. We believe the assets of the Fund will increase due to a prudent investment program, cost controls, diversification of the investment portfolio, and strategic planning.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Sarasota Police Officers' Pension Fund's financial statements for those with an interest in the Fund'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 Police Officers' Pension Fund at 1565 First Street, Sarasota, Florida 34236.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
STATEMENTS OF FIDUCIARY NET POSITION  
AS OF SEPTEMBER 30, 2015 AND 2014**

	2015	2014
<b>Assets</b>		
Cash and equivalents	\$ 1,642,051	\$ 1,124,663
Receivables		
Accounts receivable	-	27,740
Accrued income receivable	247,624	276,504
Total receivables	247,624	304,244
Investments, at fair market value		
Money market funds	2,217,932	3,312,389
US Government securities	10,021,430	-
Mortgage backed securities	7,367,411	-
Common stock	73,316,500	96,377,688
Preferred stock	3,611,758	2,784,647
Stock mutual funds	67,908	100,090
Bond mutual funds	22,017,670	21,550,274
Corporate bonds	15,989,845	18,440,341
Real estate mutual funds	24,931,648	22,134,732
Foreign mutual funds	31,472,337	30,072,727
Total investments, at fair value	191,014,439	194,772,888
Other assets	17,116	16,773
Total assets	\$ 192,921,230	\$ 196,218,568
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 137,935	\$ 190,118
Total liabilities	137,935	190,118
Net position, restricted for pension benefits	192,783,295	196,028,450
Total liabilities and net position	\$ 192,921,230	\$ 196,218,568

See accompanying notes to financial statements.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Additions</b>		
Contributions		
Employees	\$ 825,351	\$ 760,571
City of Sarasota	7,864,404	7,678,913
State of Florida	570,973	544,301
Total contributions	<u>9,260,728</u>	<u>8,983,785</u>
Investment income		
Net realized and unrealized gain (loss) on investments	(1,055,690)	15,799,886
Interest	1,079,017	403,623
Dividends	2,292,494	3,873,071
Investment income	<u>2,315,821</u>	<u>20,076,580</u>
Less investment expenses	<u>(1,143,840)</u>	<u>(1,250,451)</u>
Net investment income	<u>1,171,981</u>	<u>18,826,129</u>
Total additions	<u>10,432,709</u>	<u>27,809,914</u>
<b>Deductions</b>		
Benefit payments	13,454,067	12,738,564
Administrative expenses	216,797	173,072
Refunds of participant contributions	7,000	7,368
Total deductions	<u>13,677,864</u>	<u>12,919,004</u>
<b>Change in net position</b>	<b>(3,245,155)</b>	<b>14,890,910</b>
Net position, restricted for pension benefits		
Beginning of year	<u>196,028,450</u>	<u>181,137,540</u>
End of year	<u><u>\$ 192,783,295</u></u>	<u><u>\$ 196,028,450</u></u>

See accompanying notes to financial statements.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting: The City of Sarasota Police Officers' Pension Fund's (the "Fund") financial statements are prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which employee services are performed and 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 Police Officers' Pension Fund of the City of Sarasota, Florida (the "City") and are not intended to present the basic financial statements of the City of Sarasota, Florida.

The Fund is included within the City's separately issued Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2015 and 2014. Anyone wishing to review and obtain further information about the City is referred to the CAFR for the years in which the Fund has been included.

The Fund is a pension trust fund (fiduciary fund type) of the City which accounts for the single employer defined benefit pension plan for police officers. The provisions of the Fund provide for retirement, disability and survivor benefits.

Financial Statement Presentation: Effective in 2014, the Fund adopted GASB Statement No. 67 which requires additional supplemental information and changes to the presentation of the financial statements. In accordance with this statement, the Fund's statements reflect only liabilities that are currently due while those not currently due are taken as a component of net position. This statement also requires a schedule of changes in net position liability and related ratios, a schedule of actuarially determined contributions, and a schedule of investment returns included in the required supplementary information to the financial statements.

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 certain 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 in accordance with GASB Statement No. 50. 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 as 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 Fund's Board of Trustees, with the assistance of a valuation service.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
NOTES TO FINANCIAL STATEMENTS**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification: Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the Change in Plan Net Position or the Statements of Fiduciary Net Position.

NOTE 2 – PLAN DESCRIPTION

The Fund is a defined benefit single employer public employee retirement plan that was established pursuant to Florida Statutes, Chapter 185 and City Ordinance. The Fund is supported by participant contributions, City contributions, Chapter 185, Florida Statutes receipts, and investment income on Fund assets. The Fund is administered in accordance with Chapter 24, Article II, of the Sarasota City Code 1986, as amended and restated. The Fund was last amended as of September 3, 2013.

Each police officer employed by the City of Sarasota Police Department is a Pension Fund Member. Only the Chief of Police may choose not to be a member of the Fund. Members are required to contribute 8% of their annual salary to the Fund through paycheck deductions. Any participant who has creditable service of 10 years and has attained age 50 or has creditable service of 25 years, regardless of age, is eligible for normal retirement. The amount of normal retirement pension is based on a police officer's credited service and final average compensation as defined by the Fund. The pension benefit is limited to 100% of the final average compensation and provisions of the internal Revenue Code 415.

The City's total payroll cost for police officer personnel covered by the Fund for the years ended September 30, 2015 and 2014, was \$12,301,962 and \$12,654,736, respectively. Total payroll cost includes all overtime pay and payroll for personnel participation in the deferred retirement option plan. For the years ended September 30, 2015 and 2014, membership consisted of:

	2015	2014
Retirees, disabled participants and beneficiaries currently receiving benefits and vested terminated employees not yet receiving benefits	212	211
Current employees		
Vested	71	69
Non-vested	66	59
Total	349	339

The Fund provides disability benefits for both duty related and non-duty related disabilities. If the Board determines that the disability was caused by performance of duty, the pension is calculated the same as if he or she had taken normal retirement after a minimum of 25 years of service.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
NOTES TO FINANCIAL STATEMENTS**

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NOTE 2 – PLAN DESCRIPTION (CONTINUED)

The Fund calls for minimum payments to in the line of duty disability recipients and their beneficiaries. Disability for police officers injured not in the line of duty is computed at 2.5% of average compensation multiplied by years of service (maximum of forty years), plus 5% of police officers' last monthly salary for each eligible child.

If any police officer is killed as a result of performing duties, the beneficiaries are entitled to the same monthly pension as if the deceased had taken a normal retirement after a minimum of 25 years of service.

If any police officer dies of causes not directly related to performing duties, the beneficiaries are entitled to receive the same monthly pension as if the deceased had received disability benefits not in the line of duty and then died.

If an employee separates from the City before achieving 10 years of credited service, the employee will receive the full amount of his or her contributions plus regular interest. This will be a complete discharge of benefits under the Fund. If an employee separates services from the City after 10 years of credited service they may receive a pension starting at age 55, a refund of contributions and interest, or receive a reduced retirement pension starting any time after age 50.

Other contributions are received from the State of Florida and the City. The State of Florida contribution results from the City's share of insurance tax. The City contributes an amount to make the Fund actuarially sound, but not less than 8% of payroll.

If a member served as a police officer with the City during a period of previous employment or if a member served as a police officer for any other municipal, county or state law enforcement department in the United States, he or she may contribute an actuarially determined amount to the Fund to effectively purchase those prior service years. However, the member may not purchase prior police service that is counted for retirement benefits from another pension plan. The prior service time must be for at least one year and there is no maximum limit. In addition, the Fund also accepts rollovers of eligible pension accounts solely for the purpose of purchasing credited service.

The Fund also provides for compliance with Chapter 185, Florida Statutes to ensure the Fund will continue to qualify for funding under F.S. 185.08 in the event a change to the statute is effective before the Fund can be amended. The City Commission may not amend the Fund to reduce the vested accrued benefit of members of beneficiaries.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 – DEFERRED RETIREMENT OPTION PLAN**

Effective December 21, 1998, the City approved an ordinance creating a deferred retirement option plan (DROP). A member of the Fund is eligible to enter the DROP once the member has credible service of 10 years and has attained age 50, or has credited service of 25 years regardless of age. In lieu of terminating employment as a police officer, 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. Effective October 18, 2004, the City approved an ordinance to make the election to enter the DROP an irrevocable notice of termination effective at the end of the DROP period. Therefore, a member may participate only once.

A separate general ledger account is created for each member participating in the DROP to track earnings, contributions and payments. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment as a police officer and the earnings of those amounts. To maximize earnings potential for each DROP participant, the funds are pooled with the investments in the Fund.

For members who entered the DROP prior to October 1, 2012, the member elects to receive either interest at a fixed rate of 6.5% per annum, compounded quarterly, or the actual net rate of investment return realized by the pension Fund. For those who entered the DROP on or after October 1, 2012, the member elects to receive either interest at a fixed interest rate of 2.5% per annum compounded quarterly, or the actual rate of investment return realized by the pension Fund. The DROP amount included as a component of net position at September 30, 2015 and 2014, was \$3,779,782 and \$4,908,932, respectively.

**NOTE 4 – INVESTMENTS**

All investments of the Fund are comprised of money market funds, common and preferred stocks, stock mutual funds, bond mutual funds, corporate bonds, real estate mutual funds and foreign mutual funds as authorized by Fund policies.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – INVESTMENTS (CONTINUED)

The cost and market value of the investments by class of the Fund at September 30, 2015 and 2014, are as follows:

	September 30, 2015		
	Cost	Market Value	Duration
Money market funds	2,217,932	2,217,932	N/A
US Government securities	10,039,214	10,021,430	5-10
Mortgage backed securities	7,401,985	7,367,411	15+
Common stock	70,010,702	73,316,500	N/A
Preferred stock	3,817,174	3,611,758	N/A
Stock mutual funds	75,170	67,908	N/A
Bond mutual funds	22,057,119	22,017,670	5-10
Corporate bonds	16,175,362	15,989,845	5-10
Real estate mutual funds	19,939,403	24,931,648	N/A
Foreign mutual funds	23,545,607	31,472,337	N/A
Total investments	175,279,668	191,014,439	

	September 30, 2014		
	Cost	Market Value	Duration
Money market funds	\$ 3,312,389	3,312,389	N/A
Common stock	83,655,231	96,377,688	N/A
Preferred stock	1,667,196	2,784,647	N/A
Stock mutual funds	96,337	100,090	N/A
Bond mutual funds	19,175,332	21,550,274	4.75
Corporate bonds	17,151,640	18,440,341	5-10
Real estate mutual funds	19,107,279	22,134,732	N/A
Foreign mutual funds	23,531,142	30,072,727	N/A
Total investments	\$ 167,696,546	194,772,888	

**CITY OF SARASOTA**  
**POLICE OFFICERS' PENSION FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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NOTE 4 – INVESTMENTS (CONTINUED)

Concentration: As of September 30, 2015, the Fund held investments in two mutual funds in amounts that exceeded 5% of the Fund's Net Position. The net asset values of the mutual funds were \$28,589,762 and \$24,931,647 and they are classified as foreign mutual funds and real estate mutual funds, respectively, for the year ended September 30, 2015.

Duration: Duration is the measure of a fixed income's cash flows using present value, weighted for cash flows as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments as callable bonds, prepayments and variable-rate debt. All investments of the Fund are held by the Fund or its agent in the Fund's name.

Credit Risk: The Fund limits its short term investments to the following: money market or short term investment funds provided by the Fund's custodian; commercial paper issued by United States Corporations which have a majority of 270 days or less and a rating of A-1 or higher by Standard & Poor's or P-1 or higher by Moody's. All equity investments are limited to fully and easily negotiable equity securities. In addition, investments in the shares of companies that have been publicly traded for less than one year are limited to no more than 15% of the market value of an investment manager's total equity portfolio. Investments in corporate fixed income securities are limited to those securities rate "A" or higher by Moody's or Standard & Poor's rating services. Investments in Collateralized Mortgage Obligations are limited to 25% of the market value of the investment manager's total portfolio and are restricted to those issues backed by the full faith or United States Government, an Agency thereof, or are rated AAA by a major rating service and PAC (planned amortization class), NAC (non-accelerated securities) or VADM (very accurately defined maturity) securities.

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

Concentration of Credit Risk: The Fund states that no more than 5% (at market) of an investment manager's equity portfolio may 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 Fund assets. Investments in convertible securities (classified as equity investments) and are limited to 25% of the Fund's total portfolio value and no more than 10% of each investment managers convertible portfolio may be invested in shares of a single corporate issuer.

No more than 10% (at market) of any investment manager's total fixed income portfolio shall be invested in the securities of any single corporate issuer. Investments in securities (stocks, bonds and cash equivalents) issued by foreign governments or corporation domiciled outside the United States shall not exceed 25% of the market value of Fund assets. Investments in real estate shall not exceed 15% (at market) of the value of the total Fund assets.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
NOTES TO FINANCIAL STATEMENTS**

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NOTE 4 – INVESTMENTS (CONTINUED)

The Fund maintains cash deposits at financial institutions which may, at times, exceed amounts covered by the Federal Deposit Insurance Corporation (FDIC). The Fund has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk to cash.

Custodial Credit Risk: For an investment, this is the risk that in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund does not believe it has a custodial risk exposure as all its securities are insured, registered and held by an outside custodian.

Foreign Currency Risk – The Board of Trustees retains outside investment managers with the Fund’s written investment policy. The Fund’s investment policy states that investments in securities issued by foreign governments or corporations domiciled outside the United States shall not exceed 25% of the market value of Fund assets. The investment policy specifically prohibits certain investments including interest rate swaps, limited partnerships of any kind, venture capital, and futures contracts. The investment policy also prohibits trading on margin and short selling.

NOTE 5 – NET PENSION LIABILITY

The net pension liability is measured as the total pension liability, less the amount of the Pension Fund’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 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 248,121,571	\$ 238,862,487
Plan fiduciary net position	<u>192,783,295</u>	<u>196,028,450</u>
Net pension liability	<u>\$ 55,338,276</u>	<u>\$ 42,834,037</u>
 Plan fiduciary net position as a percentage of the total pension liability	 77.70%	 82.07%

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
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 Fund year ending September 30, 2015, using the following actuarial assumptions applied to all measurement periods:

Inflation	2.5%
Salary increases	4.9 to 12.7% 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 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 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:

Asset Class	Long Term Expected Real Rate of Return
Bonds	7.03%
Domestic equity	10.62%
International equity	5.64%
Real estate	7.22%
MLPs	13.09%

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.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
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 <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	\$ 89,497,028	\$ 55,338,276	\$ 28,170,320

NOTE 6 – CONTRIBUTION INFORMATION

The Fund's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarially accrued liability are determined using an entry-age actuarial cost method. Unfunded actuarial accrued liability is being amortized on a closed basis as a level percent of payroll over periods ranging from 5 to 30 years.

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6 – CONTRIBUTION INFORMATION (CONTINUED)**

During the year ended September 30, 2015, contributions totaling \$9,260,728 were made in accordance with contribution requirements determined by an actuarial valuation of the Fund as of September 30, 2014. The City contributed \$7,864,404 (69.63% of active payroll); the State of Florida contributed \$570,973 (4.64% of active payroll); and the employees contributed \$825,351 (6.71% of active payroll).

During the year ended September 30, 2014, contributions totaling \$8,983,785 were made in accordance with contribution requirements determined by an actuarial valuation of the Fund as of September 30, 2013. The City contributed \$7,678,913 (60.68% of active payroll); the State of Florida contributed \$544,301 (4.30% of active payroll); and the employees contributed \$760,571 (6.01% of active payroll).

The actuarially determined contributions from the Employer and the State totaled \$8,435,377 and \$8,223,214, for the years ended September 30, 2015 and 2014, respectively. The schedule of employer contributions, presented as required supplemental information following the notes to the financial statements, presented multiyear trend information of contributions received.

**NOTE 7 – TAX STATUS**

The Pension Fund is administered by a Board of Trustees that act as the named fiduciary and administrator of the Fund as defined by Florida Law. The Board of Trustees believes that the Fund is currently being operated in compliance with the applicable requirements of a qualified plan under Internal Revenue Code and as a result no income tax expense has been recorded.

**NOTE 8 – RISK AND UNCERTAINTIES**

The Fund 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 statements of fiduciary net position.

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

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
NOTES TO FINANCIAL STATEMENTS**

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NOTE 9 – SUBSEQUENT EVENTS

The Fund has evaluated all events subsequent to the statements of plan net position date of September 30, 2015, through April 8, 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  
POLICE OFFICERS' PENSION FUND  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS**

	2015	2014
<b>Total pension liability</b>		
Service cost	\$ 3,290,606	3,150,996
Interest	16,362,460	15,888,805
Benefit changes	3,008,519	-
Difference between expected and actual experience	58,566	(55,573)
Assumption changes	-	-
Benefit payments	(13,454,067)	(12,738,564)
Refunds	(7,000)	(7,368)
<b>Net change in total pension liability</b>	<u>9,259,084</u>	<u>6,238,296</u>
<b>Total pension liability, beginning</b>	<u>238,862,487</u>	<u>232,624,191</u>
<b>Total pension liability, ending (a)</b>	<u>\$ 248,121,571</u>	<u>238,862,487</u>
 <b>Plan fiduciary net position</b>		
Contributions, employer	\$ 7,864,404	7,678,913
Contributions, non-employer contributing entity	570,973	544,301
Contributions, member	825,351	760,571
Net investment income	1,171,981	18,842,891
Benefit payments	(13,454,067)	(12,738,564)
Refunds	(7,000)	(7,368)
Administrative expenses	(216,797)	(189,834)
<b>Net change in plan fiduciary net position</b>	<u>(3,245,155)</u>	<u>14,890,910</u>
 <b>Plan fiduciary net position, beginning</b>	<u>196,028,450</u>	<u>181,137,540</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>\$ 192,783,295</u>	<u>196,028,450</u>
 <b>Net pension liability, ending (a) - (b)</b>	<u>\$ 55,338,276</u>	<u>42,834,037</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 77.70%	 82.07%
 <b>Covered employee payroll</b>	 \$ 12,301,962	 12,654,736
 <b>City's net pension liability as a percentage of covered employee payroll</b>	 449.83%	 338.48%

**Notes to the Schedule**

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

**CITY SARASOTA  
POLICE OFFICERS' PENSION FUND  
SCHEDULE OF CONTRIBUTIONS**

<u>Year Ended September 30,</u>	<u>Actuarially Determined Contributions</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2014	8,207,512	8,223,214	(15,702)	12,654,736	64.98%
2015	8,415,647	8,435,377	(19,730)	12,301,962	68.57%

Valuation Date                      September 30, 2013

Notes                                      Actuarially determined contribution rates are calculated as of October 1, two years  
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:

Funding Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	4.9% to 12.7% depending on service, including inflation
Investment rate of return	7%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA

Other Information

Notes                                      See Discussion of Valuation results in the September 30, 2013 Actuarial  
Valuation Report

**Notes to the Schedule**

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

**CITY OF SARASOTA  
POLICE OFFICERS' PENSION FUND  
SCHEDULE OF PENSION INVESTMENT RETURNS**

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<u>Year Ended September 30,</u>	<u>Annual Money Weighted Rate of Return, Net of Investment Expense</u>
2006	9.1%
2007	10.7%
2008	6.4%
2009	4.1%
2010	4.1%
2011	2.3%
2012	2.5%
2013	7.1%
2014	9.7%
2015	0.5%

## **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  
Police Officers' Pension Fund  
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 Police Officers' Pension Fund (the "Fund") as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 8, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund'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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund'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  
April 8, 2016



April 8, 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 Police Officers' Pension Fund (the "Fund") 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 April 8, 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 8, 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 Fund 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 Fund'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 Fund 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 Fund from whom you determined it necessary to obtain audit evidence.

- Fund 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 Fund and the Fund'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 Fund 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 Fund'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 Fund'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 Fund 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 Fund.

- Amendments to the Fund 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 Fund's actuary for the purpose of determining the actuarial present value of accumulated Fund benefits and actuarial present value of the Fund'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 Fund's accumulated Fund 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 Fund'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 Fund'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.
  - Fund provisions between the actuarial valuation date and the date of this letter.
- The Fund 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 Fund documents with the appropriate agencies have been made.
- The Fund (and the trust established under the Fund) is qualified under the appropriate section of the Internal Revenue Code and we intend to continue them as a qualified Fund (and trust). The Fund sponsor has operated the Fund and trust in a manner that did not jeopardize this tax status.
- The Fund has complied with regulations concerning the timely remittance of participant contributions to trusts containing assets for the Fund.
- The Fund 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 Fund.
- 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  
Police Officers' Pension Plan Board  
Harry Ramphal, Pension Plans Administrator  
File