

**TOWN OF LONGBOAT KEY, FLORIDA,  
GENERAL EMPLOYEES' RETIREMENT  
PENSION TRUST FUND**

**AUDITED FINANCIAL STATEMENTS**

**For the Fiscal Year Ended September 30, 2014**

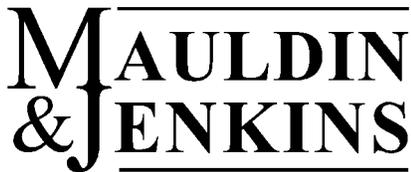
**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' PENSION TRUST FUND**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

---

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1 - 3</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS.....</b>	<b>4 - 8</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Statement of Fiduciary Net Position .....</b>	<b>9</b>
<b>Statement of Changes in Fiduciary Net Position.....</b>	<b>10</b>
<b>Notes to Financial Statements.....</b>	<b>11 - 16</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>Schedule of Changes in Net Pension Liability and Related Ratios .....</b>	<b>17</b>
<b>Schedule of Contributions .....</b>	<b>17</b>
<b>Schedule of Pension Investment Returns .....</b>	<b>19</b>
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<b>Schedule of Investment and Administrative Expenses.....</b>	<b>20</b>
<b>OTHER REPORTS</b>	
<b>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 <i>Government Auditing Standards</i>.....</b>	<b>21 and 22</b>



CERTIFIED PUBLIC ACCOUNTANTS, LLC

## INDEPENDENT AUDITOR'S REPORT

---

Board of Trustees  
Town of Longboat Key, Florida  
General Employees' Retirement Pension Trust Fund  
Longboat Key, Florida

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

We have audited the accompanying financial statements of the Town of Longboat Key, Florida, General Employees' Retirement Pension Trust Fund (the "Fund"), as of and for year ended September 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

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

The Board of Trustees and Officers are 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, 2014, 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 Fund and do not purport to, and do not present fairly, the financial position of the Town of Longboat Key, Florida, as of September 30, 2014, 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.

As discussed in Note 1, the Fund implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* as of October 1, 2013. This standard modified the reporting requirements for financial statements of defined benefit pension plans. 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 (pages 4 – 8) and required supplementary information (the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions and the Schedule of Pension Investment Returns on pages 17-19) 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

---

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, 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.

Bradenton, Florida  
March 3, 2015

*Mauldin & Jenkins, LLC*

**TOWN OF LONGBOAT KEY, FLORIDA,  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014  
(Unaudited)**

---

As management of the Town of Longboat Key, Florida, General Employees' Retirement Pension Trust Fund (the "Fund"), we offer readers of the financial statements this narrative overview of the financial activities of the Fund for the years ended September 30, 2014 and 2013. This narrative is intended to supplement the Fund's financial statements. The General Employees' Retirement Pension Trust Fund is one of three pension plans the Town of Longboat Key, Florida (the "Town") funds.

The Town negotiated a plan freeze for the general employees' plan effective September 30, 2013. In lieu of the defined benefit plan, the general employees opted to join the Town's defined contribution retirement plan. Members became 100% vested in their accrued benefit on the date of the freeze. As a result of the freeze, the employees no longer make contributions to the Plan. This among other actuarial assumption changes will require the Town's annual contribution to rise over the next few years and then decrease gradually over the remaining life of the Plan.

The General Employees' Board of Trustees voted to decrease the rate of return assumption from 7.75% to 7.0% effective with the October 1, 2014, valuation. Several disclosures of the Fund have been significantly changed due to the implementation of GASB 67.

Effective October 1, 2014, the Town adopted an Ordinance which consolidates the three pension plans (firefighters', police officers and general employees) into one fund. A new consolidated Board of Trustees was sworn in shortly after October 1<sup>st</sup> and they are tasked with consolidating the three funds by October 1, 2015.

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

The following discussion and analysis is intended to serve as an introduction to the Fund's financial statements. The financial statements are the: (1) statement of fiduciary net position, (2) statement 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, (3) schedule of pension investment returns, and (4) notes to the required supplementary information. A schedule of administrative and investment expenses is also provided as other supplementary information.

### **Financial Statements**

The financial statements contained in this report are described below.

The *statement of fiduciary net position* (page 9) is a point-in-time snapshot of account balances at fiscal year-end. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the statement date. The resulting net position represents the value of assets restricted for pension benefits.

The *statement of changes in fiduciary net position* (page 10) displays the effect of pension fund transactions that occurred during the fiscal year, where Additions – Deductions = Net Increase (Decrease) in Net Position. This net increase (decrease) in net position reflects the change in the net asset value of the statement of plan net position from the prior year to the current year. Both statements are in compliance with Governmental Accounting Standards Board (GASB) pronouncements.

**TOWN OF LONGBOAT KEY, FLORIDA,  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014  
(Unaudited)**

---

**Notes to Financial Statements**

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 Fund operates and provide additional levels of detail for select financial statement items (see notes to financial statements on pages 11-16 of this report).

**Required Supplementary Information**

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 two additional required supplementary information schedules with historical trend information.

The *schedule of changes in net pension liability* (page 17) includes actuarial information about the status of the plan from an ongoing, long-term perspective and the progress made in accumulating sufficient assets to pay pension benefits when due. Expressing the market value of the assets as a percentage of the actuarial accrued liability provides one indication as to whether sufficient assets exist to fund future pension benefits of the current members and benefit recipients.

The *schedule of contributions* (page 18) presents historical trend information regarding the value of total annual contributions required to be paid by the Town and the actual performance of the Town in meeting this requirement.

The *schedule of pension investment returns* (page 19) presents historical information regarding the size and timing of cash flows to show the effective measure of return for the fund.

**Other Supplementary Information**

The *schedule of investment and administrative expenses* (page 20) presents a detailed look at the investment expenses and administrative expenses paid by the Plan.

**Notes to Required Supplementary Information**

The *notes to the schedule of changes in net pension liability* and related ratios, *schedule of contributions* and *schedule of pension investment returns* provide background information and explanatory detail to aid in understanding the required supplementary schedules.

**Financial Highlights**

- The net position of the Fund exceeded its liabilities at the close of the fiscal years ended September 30, 2014 and 2013, with \$10,203,724 and \$9,561,295 in net position restricted for pension benefits, respectively.
- Net position increased \$642,429 or 6.7% during 2014.
- The Fund's objective is to meet long-term benefit obligations. As of October 1, 2014, the date of the latest actuarial valuation, the funded ratio of the Fund was 68.62%. In general, this means that for every dollar of pension benefits due, the Fund has \$0.6862 available for payment.

**TOWN OF LONGBOAT KEY, FLORIDA,  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014  
(Unaudited)**

---

**Summary of Fiduciary Net Position**  
As of September 30, 2014 and 2013

	2014	2013	Increase (Decrease)	
			2014 to 2013	
			\$	%
Current and other assets	\$ 15,675	\$ 1,725,708	\$ (1,710,033)	-99.1%
Investments, at fair value	10,195,934	7,835,587	2,360,347	30.1%
Total assets	10,211,609	9,561,295	650,314	6.8%
Total liabilities	7,885	-	7,885	100.0%
Net position restricted for pension benefits	\$ 10,203,724	\$ 9,561,295	\$ 642,429	6.7%

**Analysis of Financial Activities**

The Fund's objective is to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of employer contributions and the income from investments provide the reserves needed to finance future retirement benefits.

Contributions from the Town are made at levels determined by the Fund's actuary. Because of the freeze of plan benefits on September 30, 2013, contributions were significantly lower in 2014 (a decrease of \$542,281 or 47.6%). The Fund's investment portfolio produced good returns in 2014 and 2013. Net position restricted for pension benefits increased by \$642,429 in 2014, which was less than the increase of \$1,477,937 in 2013. This is partly due to the payout of \$160,667 in refunds of member contributions due to the freeze and the increase of benefit payments of \$164,205, both in 2014.

During 2014, the Fund's investment portfolio returned gains of approximately 9.53%. It is important to remember that a retirement plan's funding is based on a long time horizon, where temporary ups and downs in the market are expected. The more critical factor is that the Fund be able to meet an expected earnings yield of 7.0% (previously 7.75%) annual return on investments net of fees.

Based on our latest actuarial valuation as of October 1, 2014, the Fund's total pension liability exceeds its market value of assets by \$4.7 million, producing a funded ratio of 68.62%. The funded ratio is a key indication of financial strength of the Fund and analyzing this percentage over time indicates whether the Fund is becoming stronger or weaker. Investment and experience gains incurred in previous years have caused a slight upward trend in the funded ratio from 65.17% to 68.62%.

As noted earlier, the freeze of plan benefits resulted in employee contributions and state reimbursements ceasing, therefore, as the years roll forward and total assets grow, investment income will continue to play an important role in funding future retirement benefits. Therefore, investment return over the long term is critical to the funding status of the Fund.

**Net Position**

The Fund's net position is established from employer, state and member contributions, and the accumulation of investment income, net of investment and administrative expenses and benefit payments.

**TOWN OF LONGBOAT KEY, FLORIDA,  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014  
(Unaudited)**

---

**Additions to Plan Net Position**

As noted above, the net position needed to finance retirement benefits are accumulated through collecting employer contributions, member contributions and through investment earnings (net of investment expenses). The additions for the year ended September 30, 2014, were lower compared to 2013 by \$495,757 mostly due to the pension freeze effective September 30, 2013.

**Additions to Plan**

For the period ending September 30, 2014 and 2013

	2014	2013	Increase (Decrease)	
			2014 to 2013	
			\$	%
Employer contributions	\$ 597,459	\$ 986,240	\$ (388,781)	-39.4%
Member contributions	-	153,500	(153,500)	-100.0%
Total Contributions	597,459	1,139,740	(542,281)	-47.6%
Net investment income	912,279	865,755	46,524	5.4%
Total additions	<u>\$ 1,509,738</u>	<u>\$ 2,005,495</u>	<u>\$ (495,757)</u>	<u>-24.7%</u>

**Deductions from Plan Net Position**

The Fund was created to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, refunds of contributions to employees who terminate employment and the cost of administering the Fund. For the year ended September 30, 2014, deductions totaled \$867,309, an increase of 64.4% from 2013.

**Deductions from Plan**

For the period ending September 30, 2014 and 2013

	2014	2013	Increase (Decrease)	
			2014 to 2013	
			\$	%
Benefit payments	\$ 641,286	\$ 477,081	\$ 164,205	34.4%
Termination payments	160,667	23,491	137,176	584.0%
Administrative expenses	65,356	26,986	38,370	142.2%
Total deductions	<u>\$ 867,309</u>	<u>\$ 527,558</u>	<u>\$ 339,751</u>	<u>64.4%</u>

**Financial Analysis Summary**

As previously noted, net position viewed over time may serve as a useful indication of the Fund's financial position (See Net Position Table above). At the close of fiscal years 2014 and 2013, the assets of the Fund exceeded its current liabilities by \$10,203,724 and \$9,561,295, respectively, shown as net position restricted for pension benefits. The net position is available to meet the Fund's ongoing obligation to plan participants and their beneficiaries.

**TOWN OF LONGBOAT KEY, FLORIDA,  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014  
(Unaudited)**

---

**Fiduciary Responsibilities**

The Board of Trustees is the fiduciary of the pension trust fund. Fiduciaries are charged with the responsibility of assuring that the assets of the Fund are used exclusively for the benefit of plan participants and their beneficiaries and defraying reasonable expenses of administering the Fund.

**Requests for Information**

This financial report is designed to provide the Board of Trustees, our membership, taxpayers, and investment managers with an overview of the Fund's finances and accountability for the money received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Susan L. Smith, Finance Director, Town of Longboat Key, Florida General Employees' Retirement Pension Trust Fund at 501 Bay Isles Road, Longboat Key, Florida 34228.

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND**

**STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014**

---

<b>Assets</b>	
Receivables	
Interest and dividends	\$ 15,675
Total receivables	<u>15,675</u>
Investments, at fair market value	
U.S. Government and agency securities	1,368,662
Corporate bonds	1,775,119
Mortgage backed securities	408,831
Equity securities	<u>6,643,322</u>
Total investments	<u>10,195,934</u>
Total assets	<u>10,211,609</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	<u>7,885</u>
Total liabilities	<u>7,885</u>
<b>Net position restricted for pension benefits</b>	<u><u>\$ 10,203,724</u></u>

---

See accompanying notes to financial statements.

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

---

<b>Additions</b>	
Contributions	
Town of Longboat Key	\$ 597,459
Total contributions	<u>597,459</u>
Investment income	
Net change in fair value of investments	604,079
Interest and dividends	<u>327,007</u>
Investment income	931,086
Less investment expenses	<u>(18,807)</u>
Net investment income	<u>912,279</u>
Total additions	<u>1,509,738</u>
<b>Deductions</b>	
Pension benefits to participants	641,286
Termination payments	160,667
Administrative expenses	<u>65,356</u>
Total deductions	<u>867,309</u>
Change in net position	642,429
<b>Net position restricted for pension benefits</b>	
Beginning of year	<u>9,561,295</u>
End of year	<u>\$ 10,203,724</u>

---

See accompanying notes to financial statements.

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS**

---

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

Reporting Entity: The Town of Longboat Key, Florida, General Employees' Retirement Pension Trust Fund (the "Fund"), was established to account for the financial activity of the Town of Longboat Key, Florida, General Employees' Retirement Pension Fund. The Fund is managed by a five member Board of Trustees comprised of two legal residents of the Town appointed by the Commission of the Town of Longboat Key, Florida (the "Town"), two members elected by the plan membership, and one member elected by the other four members and subsequently appointed, as a ministerial duty, by the Town Commission. The financial statements are only for the Fund and are not intended to present the basic financial statements of the Town. The Fund is reported as a fiduciary fund (pension trust fund) of the Town's basic financial statements.

Basis of Accounting: The Fund's financial statements are prepared using the accrual basis of accounting. Contributions from the Fund's members are recognized as additions in the period in which the contributions are due. Contributions from the Town are recognized as additions when due and the Town has made a formal commitment to provide the contributions. State contributions are recognized when received. Expenses are recognized in the accounting period incurred, if measurable. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: Investments are reported at fair value. Money market mutual funds are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price or exchange rates. Net asset values of the commingled real estate funds are determined by the fund managers using the fair market values of the underlying investments of the Fund. The net appreciation (depreciation) in fair value of investments includes the difference between the cost and fair value of investments held, as well as the net realized gains and losses for securities sold. Interest and dividend income is recognized on the accrual basis when earned. Purchases and sales of investments are recorded on a trade date basis.

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 and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION**

Plan Description: The Fund, a single employer defined benefit pension plan, was established by ordinance in 1972. An ordinance was passed in 1991 to modify benefits relative to the Fund. The Fund was frozen effective September 30, 2013. Previous to this date, all full-time employees of the Town were covered by the Fund. Benefit provisions are established and may be amended by the Town Commission.

The plan provides retirement and death benefits for its members. A member may retire with normal benefits after the attainment of: (1) age 62 or (2) age 55 and the completion of 30 years of credited service. Normal retirement benefits are 2.75% of the member's average final compensation times years of credited service. The accrued benefit is frozen as of September 30, 2013. Early retirement benefits are the same as normal retirement benefits, reduced by 3.0% for each year by which the commencement of benefits precedes the normal retirement date. Eligibility for early retirement is age 50 and the completion of 15 years of credited service. Members are 100% vested in their frozen accrued benefits as of September 30, 2013.

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)**

The death benefit is a payment of the member's accrued pension benefit to the member's beneficiary for 10 years, beginning on the date that the deceased member would have been eligible for early or normal retirement, at the option of the beneficiary.

At October 1, 2013, the date of the latest actuarial valuation, membership consisted of:

Inactive Plan members or beneficiaries currently receiving benefits	43
Inactive Plan members entitled to but not yet receiving benefits	21
Active Plan members	<u>25</u>
Total	<u><u>89</u></u>

Contributions: Contribution requirements are established and may be amended by the Town Commission and are based on the benefit structure established by the Town. Remaining amounts required in order to pay current costs and amortize unfunded past service costs, if any, are provided by Chapter 112, Florida Statutes. The Fund's required contribution for the September 30, 2014, year-end was \$597,459.

Deferred Retirement Option Program (DROP): The Town has a DROP for the General Employees' Pension plan. A participant may join within 12 months following satisfaction of normal retirement requirements. New DROP participants are not allowed after September 30, 2013. Participation in the DROP cannot exceed 60 months. DROP benefits at the participant's election (may change once during the DROP period) include: (1) actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs), or (2) 6.5% fixed rate. Earnings are credited each fiscal quarter. The DROP balance as of September 30, 2014, is \$380,440.

Investment Policy: The following was the Board's adopted asset allocation policy as of September 30, 2014:

Asset Class	Target Allocation
Domestic equity	45.00%
International equity	15.00%
Fixed income	<u>40.00%</u>
Total	<u><u>100.00%</u></u>

The Fund did not hold investments in any one organization that represent 5% or more of the Fund's net position.

Rate of Return: For the year ended September 30, 2014, the annual money-weighted rate of return on Fund investments net of pension plan investment expense, was 9.53%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Plan Disclosures: Effective October 1, 2013, the Fund implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Fund. The information disclosed below is presented in accordance with this new standard.

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)**

Net Pension Liability of the Town: The components of the net pension liability of the Town (sponsor) at September 30, 2014, were as follows:

Total pension liability	\$ 14,870,522
Plan fiduciary net position	(10,203,724)
Town's net pension liability	<u>\$ 4,666,798</u>
Plan fiduciary net position as a percentage of Total pension liability	68.62%

The required schedule of changes in the Town's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of October 1, 2013, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	0.0%
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements (disabled lives are set forward 5 years).

The actuarial assumptions used in the October 1, 2013, valuation were based on the results of an actuarial experience study for the period 1992-2006.

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

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	7.50%
International equity	8.50%
Fixed income	2.50%

**Discount Rate:** The discount rate used to measure the total pension liability was 7.0%.

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)**

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Town, calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's net pension liability	\$ 6,279,913	\$ 4,666,798	\$ 3,314,135

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014, and the current sharing pattern of costs between employer and employee.

**NOTE 3 – CASH AND INVESTMENTS**

Authorized Investments: Florida Statutes and the Fund's investment policy limit investments to annuity and life insurance contracts; time or savings accounts; obligations issued by the United States Government or by an agency of the United States Government; bonds issued by the State of Israel; corporate stocks and bonds; and pooled funds, including mutual funds, commingled funds, exchange-traded funds, limited partnerships, and private equity. Investments in illiquid investments, as described by Florida Statutes, are prohibited. Investments in companies identified as scrutinized companies by the Florida State Board of Administration (SBA) are prohibited, with the exception of investments in scrutinized companies that are held within commingled funds (if the commingled fund sponsor does not offer a similar fund that does not hold investments in scrutinized companies).

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

At September 30, 2014, the Fund had the following investments:

Investment Type	Credit Rating (Moody's)	Fair Market	Investment Maturity (in Years)			
			Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	Not rated	\$ 323,562	\$ 323,562	\$ -	\$ -	\$ -
U.S. Government and agency securities	Aaa	1,045,100	77,752	866,392	-	100,956
Corporate obligations	A1	432,498	-	226,110	176,018	30,370
Corporate obligations	A2	304,355	-	164,326	61,327	78,702
Corporate obligations	A3	454,448	-	99,614	294,804	60,030
Corporate obligations	Aa1	20,138	-	-	20,138	-
Corporate obligations	Aa3	20,301	-	20,301	-	-
Corporate obligations	Baa1	257,811	-	-	122,858	134,953
Corporate obligations	Baa2	285,568	-	194,214	91,354	-
Mortgage backed	Not rated	408,831	-	-	-	408,831
		<u>3,552,612</u>	<u>\$ 401,314</u>	<u>\$ 1,570,957</u>	<u>\$ 766,499</u>	<u>\$ 813,842</u>
Equity securities	Not rated	<u>6,643,322</u>				
Total investments		<u>\$ 10,195,934</u>				

**Custodial Credit Risk:** 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 that are held by the counterparty. The Fund's policy is to maintain investments in custodial accounts that identify securities held as assets of the Fund by registering securities in the name of the Fund.

**Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Although the Fund's investment policy does not provide limitations as to maturities, the Fund minimizes risk of fair value losses in its fixed income portfolio due to rising interest rates by structuring its investment portfolio so that securities mature to meet ongoing cash requirements, thereby avoiding the need to sell securities in the open market prior to maturity; and by investing operating funds primarily in shorter-term securities or by cash flow projections.

**Credit Risk:** This is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization such as Moody's or Standard & Poor's. The Fund's investment policy states that the Fund's fixed income portfolio is expected to perform at a rate at least equal to the Barclays Capital U.S. Aggregate Bond Index and all portfolios are expected to rank in the top 40<sup>th</sup> percentile of the appropriate peer universe over 3 and 5 year time periods. For U.S. Treasury fixed income performance, the Fund's investment policy states that the Fund's portfolio is expected approximate the structure and performance of the Barclays Capital U.S. Treasury TIPS Index. All fixed income investments shall have a minimum rating of A or higher as reported by a major credit rating service. Equity investments must be traded on one or more of the recognized national exchanges. Money market deposits must have a rating of A1/P1 or its equivalent by a major credit rating service.

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

Concentration of Credit Risk: This is the risk of loss attributable to the quantity of the Fund's investment in a single issuer. The Fund's investment policy limits investments in the stock of any one issuing company to 5% of the Fund's assets and to 5% of the outstanding capital stock of any issuing company. The Fund's investment policy limits investments in the bonds of any one issuing company to 3% of the Fund's assets. Furthermore, investments in domestic corporate common stock is set at 45% and foreign equity investments is set at 15% at market value; fixed income securities shall not exceed 40% of the market value of the Fund's assets.

**NOTE 4 – PLAN CHANGE**

The Town Commission voted to freeze the General Employees' Pension Plan effective September 30, 2013, and move future participants and benefits to a defined contribution retirement plan. Additionally, the Town Commission approved to provide alternative options also for its Police Officers' Pension Plan and Firefighters' Pension Plan. Effective October 1, 2014, these three plans were consolidated as one plan for central oversight and will continue to exist until such time as all remaining participants' benefits are provided.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

	<u>2014</u>	<u>2013</u>
<b>Total pension liability</b>		
Service cost	\$ 2,197	\$ 2,053
Interest on total pension liability	999,070	976,287
Differences between expected and actual experience	-	-
Benefit payments, including refunds of employee contributions	<u>(801,953)</u>	<u>(504,068)</u>
<b>Net change in total pension liability</b>	199,314	474,272
<b>Total pension liability, beginning</b>	<u>14,671,208</u>	<u>14,196,936</u>
<b>Total pension liability, ending (a)</b>	<u>\$ 14,870,522</u>	<u>\$ 14,671,208</u>
<b>Plan fiduciary net position</b>		
Contributions, employer	\$ 597,459	\$ 986,240
Contributions, state	-	-
Contributions, employee	-	153,500
Net investment income	912,279	865,755
Benefit payments, including refunds of member contributions	(801,953)	(504,068)
Administrative expenses	<u>(65,356)</u>	<u>(23,490)</u>
<b>Net change in plan fiduciary net position</b>	642,429	1,477,937
<b>Plan fiduciary net position, beginning</b>	<u>9,561,295</u>	<u>8,083,358</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>\$ 10,203,724</u>	<u>\$ 9,561,295</u>
<b>Town's net pension liability, ending (a) - (b)</b>	<u>\$ 4,666,798</u>	<u>\$ 5,109,913</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	68.62%	65.17%
<b>Covered-employee payroll</b>	\$ 1,373,718	\$ 2,558,341
<b>Town's net pension liability as a percentage of covered-employee payroll</b>	339.72%	199.74%

**Notes to the Schedule**

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

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS**

	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 597,459	\$ 986,240
Contributions in relation to the actuarially determined contribution	<u>597,459</u>	<u>986,240</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,373,718	\$ 2,558,341
Contributions as a percentage of covered-employee payroll	43.49%	38.55%

**Notes to the Schedule**

Valuation Date October 1, 2012

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

Funding method	Entry age normal actuarial cost method
Amortization method	Level percentage of pay, closed
Remaining amortization period	30 years (as of 10/1/2012)
Asset valuation method	Each year, the actuarial value of assets is brought forward using the historical geometric four-year average market value return. Over time, this may result in a demeris bias that is above or below the market value of assets.
Inflation	3.0% per year
Salary increases	None (previously a schedule based on credited service). Projected salary through the freeze date is increased based on information provided by the Town to account for non-regular compensation.
Interest Rate	7.5% per year, compounded annually, net of investment-related expenses
Payroll growth	None
Retirement age	The earlier of age 62 or age 55 and completion of 30 years of credited service. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.
Early retirement	5% per year, for each year of eligibility, beginning at age 50 with 15 years of credited service.

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

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION INVESTMENT RETURNS**

---

	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expenses	9.53%	10.30%

**Notes to the Schedule**

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

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF LONGBOAT KEY, FLORIDA  
GENERAL EMPLOYEES' RETIREMENT PENSION TRUST FUND**

**SCHEDULE OF INVESTMENT AND ADMINISTRATIVE EXPENSES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

---

<b>Investment Expenses</b>	
Custodial fees	\$ 6,125
Investment management fees	<u>12,682</u>
Total investment expenses	<u><u>\$ 18,807</u></u>
 <b>Administrative Expenses</b>	
Actuarial services	\$ 29,881
Management evaluator	15,500
Insurance	15,062
Legal services	4,261
Miscellaneous expenses	<u>652</u>
Total administrative expenses	<u><u>\$ 65,356</u></u>

**OTHER AUDITOR'S REPORT**



CERTIFIED PUBLIC ACCOUNTANTS, LLC

**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***

---

Board of Trustees  
Town of Longboat Key, Florida  
General Employees' Retirement Pension Trust Fund  
Longboat Key, 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 Town of Longboat Key, Florida, General Employees' Retirement Pension Trust Fund (the "Fund") as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2015.

**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.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Bradenton, Florida  
March 3, 2015