

**CITY OF VENICE MUNICIPAL FIREFIGHTERS'  
PENSION TRUST FUND**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**Years Ended September 30, 2011 and 2010**

# C O N T E N T S

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**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
City of Venice Municipal Firefighters'  
Pension Trust Fund  
Venice, Florida

We have audited the accompanying statements of plan net assets of the City of Venice Municipal Firefighters' Pension Trust Fund (the "Plan") as of September 30, 2011, and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Plan as of September 30, 2010 were audited by other auditors whose report dated January 17, 2011, expressed an unqualified opinion on those financial statements.

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 of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the City of Venice Municipal Firefighters' Pension Trust Fund as of September 30, 2011, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Trustees  
City of Venice Municipal Firefighters'  
Pension Trust Fund

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplemental information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
March 29, 2012

**CITY OF VENICE MUNICIPAL FIREFIGHTERS'  
PENSION TRUST FUND**

**STATEMENTS OF PLAN NET ASSETS**

**Years Ended September 30, 2011 and 2010**

	2011	2010
<b><u>ASSETS</u></b>		
<b>Cash and cash equivalents</b>	<b>\$ 1,605,387</b>	<b>\$ -</b>
<b>Receivables:</b>		
Contributions	53,561	522,427
Interest and dividends	30,806	28,363
Broker-Dealers	-	89,306
Other	-	2,262
	<b>84,367</b>	<b>642,358</b>
<b>TOTAL RECEIVABLES</b>		
<b>Prepaid Expenses</b>	<b>751</b>	<b>2,473</b>
<b>Investments, Fair Value:</b>		
U.S. Government and Agency Obligations	1,070,438	1,212,437
Mortgage-backed Obligations	2,163,159	1,959,765
Corporate Obligations	1,505,132	1,366,839
Domestic Stocks	5,688,459	5,765,457
Real Estate Investment Fund	865,740	753,541
Foreign Equity Mutual Funds	815,401	930,647
Temporary Investment Funds	34,977	562,870
	<b>12,143,306</b>	<b>12,551,556</b>
<b>INVESTMENTS</b>		
<b>TOTAL ASSETS</b>	<b>13,833,811</b>	<b>13,196,387</b>
<b><u>LIABILITIES</u></b>		
Accounts payable	23,821	50,887
Accrued liabilities	260,506	96,426
	<b>284,327</b>	<b>147,313</b>
<b>TOTAL LIABILITIES</b>		
<b>PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 13,549,484</b>	<b>\$ 13,049,074</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF VENICE MUNICIPAL FIREFIGHTERS'  
PENSION TRUST FUND**

**STATEMENTS OF CHANGES IN PLAN NET ASSETS**

**Years Ended September 30, 2011 and 2010**

	2011	2010
<b><u>Additions:</u></b>		
<b>Contributions:</b>		
Employer	\$ 1,366,349	\$ 987,645
Plan members	315,925	302,409
State of Florida	251,217	262,094
TOTAL CONTRIBUTIONS	1,933,491	1,552,148
<b>Investment Income (Loss):</b>		
Net appreciation (depreciation) in fair value of investments	(113,538)	743,139
Interest	204,417	235,860
Dividends	127,552	125,325
Litigation revenue	-	1,682
Other	-	317
INVESTMENT INCOME	218,431	1,106,323
<b>Less: Investment expenses</b>	92,335	80,072
NET INVESTMENT INCOME	126,096	1,026,251
TOTAL ADDITIONS, NET	2,059,587	2,578,399
<b><u>Deductions:</u></b>		
Benefits to participants	1,503,806	1,445,767
Administrative expenses	55,371	61,391
TOTAL DEDUCTIONS	1,559,177	1,507,158
CHANGE IN NET ASSETS	500,410	1,071,241
<b>Net Assets Held in Trust for Pension Benefits:</b>		
Beginning of Year	13,049,074	11,977,833
End of Year	\$ 13,549,484	\$ 13,049,074

The accompanying notes are an integral part of the financial statements.

**CITY OF VENICE MUNICIPAL FIREFIGHTERS'  
PENSION TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended September 30, 2011 and 2010**

**NOTE 1 - DESCRIPTION OF THE PLAN**

**General**

The City of Venice Municipal Firefighters' Pension Trust Fund (the "Plan") is a defined benefit pension plan covering all full-time firefighters of the City. Participation in the Plan is required as a condition of employment. Originally established in 1982 and amended in 1986, 1998, and 1999, the Plan provides for pension, death, and disability benefits. The Plan is subject to provisions of Chapter 175 of the State of Florida Statutes.

The Plan, in accordance with the above statutes, is governed by a five-member Pension Board. Two firefighters, two City residents, and a fifth member elected by the other four members constitute the Pension Board. The City and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The City is authorized to establish benefit levels.

**Pension Benefits**

Under the Plan, participants with ten or more years of continuous service are entitled to annual pension benefits beginning at a normal retirement age of 55 or the completion of twenty-five continuous years of service regardless of age. Benefits are equal to 3.5 percent of the participant's average final compensation times the number of years of service, plus \$175 per month, provided, however, in no event shall the monthly benefit exceed one hundred percent of average final compensation. Average final compensation is one-twelfth (1/12) of the average salary of the five best years of the last ten years of credited service prior to retirement, termination, or death. A participant's monthly retirement benefit ceases upon the later of death or one hundred twenty months from the date of commencement.

An unreduced, immediate retirement benefit is available for any participant who is at least 44 years of age with at least 15 years of credited service as of October 1, 1999. Normal and early service retirees who retire after October 1, 1998 receive a 3.0% increase each year after retirement through age 65. A participant who terminates prior to ten continuous years of service forfeits the right to receive all benefits he has accumulated. However, he retains the right of refund of all personal contributions made to the Plan.

**NOTE 1 - DESCRIPTION OF THE PLAN (Continued)**

**Pension Benefits (Continued)**

*Death Benefits* – For any deceased, actively employed participant with less than five years of credited service, the benefit payable shall be equal to one hundred percent of the participant’s contributions. If the participant has five years or more of credited service, the benefit will be equal to fifty percent of the retiree’s average final compensation. Benefits payable under service-related death shall be payable to the spouse at the rate of fifty percent of the participant’s average final compensation. If there is no spouse, or upon the death of the spouse, the surviving children shall receive the monthly benefit in equal shares (aggregate not greater than fifty percent) until age eighteen, or age twenty-two, if a full-time student at an accredited institution. If the cause of death was not service-related, the surviving spouse shall receive a monthly benefit equal to fifty percent of the participant’s average final compensation, payable for life or until remarried.

*Disability Benefits* – Benefits payable to participants under service-related disability shall be monthly installments of fifty percent of the participant’s average final compensation in effect at the date of disability. The benefit shall be paid from the date of disability until recovery or death of the participant and continued to the beneficiary for life. A participant with five years of continuous service, who becomes disabled due to a nonservice-related cause, will receive benefits of fifty percent of the participant’s average final compensation. This benefit shall be paid from the date of disability until recovery or death.

*Partial Lump Sum Option Plan (“PLOP”)* – A participant may elect to receive an initial lump-sum payment equal to 10%, 15%, 20%, or 25% of the participant’s accrued benefit with the remaining 90%, 85%, 80%, or 75%, respectively, payable in a form selected by the participant.

*Refund of Contributions* – If a nonvested firefighter retires, dies, becomes disabled, or terminates employment with the City, accumulated contributions are refunded to the firefighter or the designated beneficiary.

Participant data as of October 1, 2011, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries:	
Currently receiving benefits	38
Terminated employees entitled to benefits but not yet receiving them	1
Current employees:	
Vested	15
Nonvested	<u>26</u>
	<u>80</u>

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Accounting**

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. City contributions to the Plan, as calculated by the Plan's actuary, are recognized as revenue when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

### **Investments**

Investments of the Plan are held by the Plan's custodian, a trust company having trust powers in the State of Florida. The Plan's investment policies are governed by the ordinances of the City of Venice, Florida and Florida Statutes. Investments in the Plan are reported at fair value based on quoted market prices using various third-party pricing sources. Short-term investments are reported at fair value. Those investments that do not have an established market value are reported at estimated fair value. Investment transactions are recognized on the trade date.

### **Contributions**

The pension plan document, which is a Special Act of the Florida Legislature, governs the City and employee contribution requirements for the Plan. Plan members are required to contribute 9.75% of their annual covered salary to the Plan. The City's contribution to the Plan is an actuarially determined periodic amount that, when combined with member contributions and the State insurance fund excise tax rebate, all member benefits will be fully provided for by the time they retire. Total required contributions for the City were \$1,366,349 and \$987,645 for the years ended September 30, 2011 and 2010, respectively. Administrative costs of the Plan are financed through investment earnings.

### **Cash and Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less from the date of purchase.

### **Net Appreciation in Fair Value of Investments**

The Plan presents in the statement of changes in plan net assets the net appreciation in the fair value of its investments, which consists of realized gains or losses or unrealized appreciation on those investments.

### **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

## NOTE 3 - INVESTMENTS

As of September 30, 2011 and 2010, the Plan had the following investments:

	<u>2011</u> <u>Fair Value</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>(Years)</u>	<u>2010</u> <u>Fair Value</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>(Years)</u>
Investment type:				
U.S. Government and Agency obligations	\$ 1,070,438	5.53	\$ 1,212,437	3.87
Mortgage-backed obligations	2,163,159	3.46	1,959,765	3.34
Corporate obligations	1,505,132	5.96	1,366,839	5.61
Temporary investment funds	34,977	0.00	562,870	0.00
Total fair value	<u>4,773,706</u>		<u>5,101,911</u>	
Investments not subject to risk disclosures:				
Equity securities	5,688,459		5,765,457	
Real estate investment fund	865,740		753,541	
Foreign equity mutual fund	815,401		930,647	
Total investments	<u>\$ 12,143,306</u>		<u>\$ 12,551,556</u>	

### **Risk and Uncertainties**

The Plan invests in a variety of investment instruments. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Through its investment policies, the Plan manages its exposure to fair value losses arising from increasing interest rates. The Plan limits the effective duration of its fixed investment portfolio through the adoption of nationally accepted risk measure benchmarks.

### **Credit Risk**

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Consistent with State law, the investment policy of the Plan requires the investments in fixed income securities be limited to a rating of A or better, as rated by one or more recognized bond rating services at the time of purchase. The corporate bonds were rated A1 or better by Moody's Investor's Services. The U.S. Agencies were rated Aaa by Moody's Investor's Services.

## NOTE 3 - INVESTMENTS *(Continued)*

### **Custodial Credit Risk**

Custodial credit risk is the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third-party custodian in the name of the Plan. The investments in mutual funds and investment partnerships are considered *unclassified* pursuant to the custodial credit risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book-entry form.

### **Foreign Currency Risk**

Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future, adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized and unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

### **Concentration of Credit Risk**

Authorized Plan investments include obligations of the U.S. Treasury and U.S. Agencies, annuities and life insurance contracts, time deposits insured by the FDIC, bonds issued by the State of Israel, real estate (limited to ten percent of Plan assets), and common or preferred stocks and high-quality corporate bonds or notes. The Board may invest up to ten percent of the Plan's assets, at cost, in foreign securities.

In addition, the Plan limits investments in common stock (equity investments) to no more than five percent in any single corporation. The Plan's investment in common stock of any single corporation shall not exceed five percent of such corporation's outstanding common or capital stock and no more than sixty percent of the Plan's assets (at cost) are to be invested in common or capital stock or convertible stock.

### **Mortgage-backed Securities**

The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies, such as: Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation.

**NOTE 4 - OTHER PLAN INFORMATION**

The Plan's Net Pension Asset ("NPA") at September 30, 2011 and 2010 was comprised of the following components:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 1,617,566	\$ 1,249,740
Interest on NPA	(23,124)	(25,018)
Adjustment to annual contribution	38,821	39,362
Annual pension cost	<u>1,633,263</u>	<u>1,264,084</u>
Contributions made	<u>1,617,566</u>	<u>1,249,740</u>
Increase in NPA	(15,697)	(14,344)
NPA beginning of year	<u>298,379</u>	<u>312,723</u>
NPA end of year	<u>\$ 282,682</u>	<u>\$ 298,379</u>

The funded status and funding progress of the Plan as of October 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets	\$ 14,653,366
Actuarial Accrued Liability (AAL)	<u>32,532,658</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 17,879,292</u>
Funded ratio (actuarial value of plan assets/AAL)	45.04%
Covered payroll (active plan members)	2,948,616
UAAL as a percentage of covered payroll	606.36%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial method and significant assumptions as of the latest actuarial valuation, October 1, 2011, are as follows:

Valuation date	October 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay - Closed
Remaining amortization period	30 years
Asset valuation method	Four year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Post retirement benefit increases – (Ends at age 65)	3.00%
Projected salary increases	5.00%
Inflation rate	3.00%
Cost-of-living adjustment	None

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF VENICE MUNICIPAL FIREFIGHTERS'  
PENSION TRUST FUND**

**SCHEDULE OF FUNDING PROGRESS**

(1)	(2)	(3)	(4)	(5)	(6)	
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll	Unfunded (Overfunded) UAAL as % of Covered Payroll (3) / (5)
9/30/2002	\$ 10,310,965	\$ 15,875,995	\$ 5,565,030	64.95%	\$ 1,640,009	339.33%
9/30/2003	10,934,957	17,676,588	6,741,631	61.86%	1,727,520	390.25%
9/30/2004	10,595,300	19,243,805	8,648,505	55.06%	2,099,720	411.89%
9/30/2005	11,089,677	21,030,823	9,941,146	52.73%	2,342,130	424.45%
9/30/2006	12,343,228	22,662,166	10,318,938	54.47%	2,471,155	417.58%
9/30/2007	13,793,859	24,372,764	10,578,905	56.60%	2,620,850	403.64%
9/30/2008	14,201,352	26,363,379	12,162,027	53.87%	2,848,256	427.00%
9/30/2009	14,328,134	28,569,608	14,241,474	50.15%	3,016,684	472.09%
9/30/2010	14,540,423	30,735,583	16,195,160	47.31%	3,124,463	518.33%
9/30/2011	14,653,366	32,532,658	17,879,292	45.04%	2,948,616	606.36%

**CITY OF VENICE MUNICIPAL FIREFIGHTERS'  
PENSION TRUST FUND**

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER  
AND STATE OF FLORIDA**

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 418,250	\$ 257,428	\$ 160,822	100%
2003	501,868	335,632	166,236	100%
2004	573,858	393,411	180,447	100%
2005	728,616	536,253	192,363	100%
2006	937,829	698,590	239,239	100%
2007	1,128,502	772,793	355,709	100%
2008	1,117,011	725,317	391,694	100%
2009	1,079,188	845,727	233,461	100%
2010	1,249,739	987,645	262,094	100%
2011	1,617,566	1,366,349	251,217	100%

**CITY OF VENICE MUNICIPAL FIREFIGHTERS'  
PENSION TRUST FUND**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**September 30, 2011**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. The actuarial method and assumptions as of the latest actuarial valuation, October 1, 2011, are as follows:

Valuation date	October 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay - Closed
Remaining amortization period	30 years
Asset valuation method	Four year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Post retirement benefit increases – (Ends at age 65)	3.00%
Projected salary increases	5.00%
Inflation rate	3.00%
Cost-of-living adjustment	None

**Changes in Actuarial Assumptions**

There have been no changes in actuarial assumptions during fiscal year 2011.

## **OTHER REPORT**



**MOORE STEPHENS**  
**LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**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**

The Board of Trustees  
City of Venice Municipal Firefighters’  
Pension Trust Fund  
Venice, Florida

We have audited the financial statements of the City of Venice Municipal Firefighters’ Pension Trust Fund (the “Plan”) as of and for the year ended September 30, 2011, and have issued our report thereon dated March 29, 2012. 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.

**Internal Control over Financial Reporting**

Management of the Plan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Plan’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan’s internal control over financial reporting.

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 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. We consider the deficiency in internal control over financial reporting described in the accompanying Schedule of Findings and Recommendations as Item IC 2011-01 to be a material weakness.

The Board of Trustees  
City of Venice Municipal Firefighters'  
Pension Trust Fund

Our consideration of the internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. However, as discussed in the preceding paragraph, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of 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*.

Management's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. We did not audit management's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Trustees, and others within the entity and is not intended to be, and should not be, used by anyone other than these specified parties.



**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
March 29, 2012

**CITY OF VENICE MUNICIPAL FIREFIGHTERS'  
PENSION TRUST FUND**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**September 30, 2011**

IC 2011-01 PENSION RECONCILIATION

**Finding Type:** *Material Weakness – Internal Control*

*Criteria or Specific Requirement*

Internal control policies and procedures over pension trust funds require timely, monthly reconciliation, proper recording, and supervisory review and oversight of the reconciliation process.

*Condition*

We noted the following deficiencies, as it relates to pension reconciliations:

1. Monthly reconciliations between the pension investment statements and the general ledger were not performed for fiscal year 2011. Accordingly, no supervisory review of reconciliations could be completed.
2. Material adjustments were needed to properly state the pension trust fund year-end balances.

*Context*

The finding is considered systemic in nature.

*Effect*

Failure to adhere to internal control policies and procedures requiring timely, monthly reconciliation and supervisory review resulted in material misstatements to the financial statements and could result in misappropriation of resources.

*Cause*

It appears that the lack of adequate internal control procedures to reconcile pension trust fund activity and provide supervisory review caused this condition.

*Recommendation*

We recommend that internal control procedures over the financial reporting of pension trust fund net assets and changes in net assets be established and maintained. We recommend that monthly reconciliations between the pension investment statements and the general ledger be performed within 30 days of the month end. In addition, we recommend that all reconciliations be signed or initialed by the preparer and a reviewer to document proper supervisory oversight.

*Views of Responsible Officials and Planned Corrective Actions*

Management agrees with the findings and recommendations of the auditor. The City will implement control procedures to reconcile pension trust fund activity on a monthly basis, including proper supervisory review.