

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Years Ended September 30, 2012 and 2011

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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, 2012 and 2011, and the related statements of changes in plan net assets for the years 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 audits.

We conducted our audits 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 audits 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 audits provide 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, 2012 and 2011, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2013 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.

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

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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental 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. Our opinion on the basic financial statements is not affected by this missing information.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
April 9, 2013

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

STATEMENTS OF PLAN NET ASSETS

Years Ended September 30, 2012 and 2011

	2012	2011
<u>ASSETS</u>		
Cash and cash equivalents	\$ 715,180	\$ 1,605,387
Receivables:		
Contributions	89,985	53,561
Interest and dividends	28,345	30,806
TOTAL RECEIVABLES	118,330	84,367
Prepaid Expenses	-	751
Investments, Fair Value:		
U.S. Government and Agency Obligations	1,102,186	1,070,438
Mortgage-backed Obligations	2,322,333	2,163,159
Corporate Obligations	1,465,900	1,505,132
Equity Securities	7,253,062	5,688,459
Real Estate Investment Fund	955,509	865,740
Foreign Equity Mutual Funds	965,378	815,401
Temporary Investment Funds	-	34,977
TOTAL INVESTMENTS	14,064,368	12,143,306
TOTAL ASSETS	14,897,878	13,833,811
<u>LIABILITIES</u>		
Accounts payable	27,345	23,821
Accrued liabilities	-	260,506
TOTAL LIABILITIES	27,345	284,327
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 14,870,533	\$ 13,549,484

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, 2012 and 2011

	2012	2011
<u>Additions:</u>		
Contributions:		
Employer	\$ 1,312,403	\$ 1,366,349
Plan members	276,474	315,925
State of Florida	272,498	251,217
TOTAL CONTRIBUTIONS	1,861,375	1,933,491
Investment Income (Loss):		
Net appreciation (depreciation) in fair value of investments	1,769,943	(113,538)
Interest	213,320	204,417
Dividends	161,190	127,552
INVESTMENT INCOME	2,144,453	218,431
Less: Investment expenses	99,616	92,335
NET INVESTMENT INCOME	2,044,837	126,096
TOTAL ADDITIONS, NET	3,906,212	2,059,587
<u>Deductions:</u>		
Benefits to participants	1,671,940	1,503,806
Lump sum PLOP distributions	866,391	-
Administrative expenses	46,832	55,371
TOTAL DEDUCTIONS	2,585,163	1,559,177
CHANGE IN NET ASSETS	1,321,049	500,410
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	13,549,484	13,049,074
End of Year	\$ 14,870,533	\$ 13,549,484

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, 2012 and 2011

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 (the "Board"). Two firefighters, two City residents, and a fifth member elected by the other four members constitute the 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, 2012, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries:	
Currently receiving benefits	43
Terminated employees entitled to benefits but not yet receiving them	0
Current employees:	
Vested	21
Nonvested	<u>16</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 \$1,312,403 and \$1,366,349 for the years ended September 30, 2012 and 2011, 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 (Depreciation) in Fair Value of Investments

The Plan presents in the statement of changes in plan net assets the net appreciation (depreciation) 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, 2012 and 2011, the Plan had the following investments:

	2012	Weighted		Weighted
	Fair Value	Average	2011	Average
		Maturity	Fair Value	Maturity
		(Years)		(Years)
Investment type:				
U.S. Government and Agency obligations	\$ 1,102,186	3.25	\$ 1,070,438	5.53
Mortgage-backed obligations	2,322,333	9.43	2,163,159	3.46
Corporate obligations	1,465,900	4.42	1,505,132	5.96
Temporary investment funds	-		34,977	0.00
Total fair value	<u>4,890,419</u>		<u>4,773,706</u>	
Investments not subject to risk disclosures:				
Equity securities	7,253,062		5,688,459	
Real estate investment fund	955,509		865,740	
Foreign equity mutual fund	965,378		815,401	
Total investments	<u>\$ 14,064,368</u>		<u>\$ 12,143,306</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 changes 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 the 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 City's Net Pension Asset ("NPA") at September 30, 2012 and 2011 was comprised of the following components:

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 1,550,520	\$ 1,617,566
Interest on NPA	(21,908)	(23,124)
Adjustment to annual contribution	16,808	38,821
Annual pension cost	<u>1,545,420</u>	<u>1,633,263</u>
Contributions made	<u>1,584,901</u>	<u>1,617,566</u>
Increase in NPA	39,481	(15,697)
NPA beginning of year	<u>282,682</u>	<u>298,379</u>
NPA end of year	<u>\$ 322,163</u>	<u>\$ 282,682</u>

The funded status and funding progress of the Plan as of October 1, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets	\$ 14,604,878
Actuarial Accrued Liability (AAL)	<u>34,115,851</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 19,510,973</u>
Funded ratio (actuarial value of plan assets/AAL)	42.81%
Covered payroll (active plan members)	2,663,341
UAAL as a percentage of covered payroll	732.58%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year 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, 2012, are as follows:

Valuation date	October 1, 2012
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)
			Unfunded (Overfunded)			Unfunded (Overfunded)
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as % of Covered Payroll (3) / (5)
10/1/2003	\$ 10,934,957	\$ 17,676,588	\$ 6,741,631	61.86%	\$ 1,727,520	390.25%
10/1/2004	10,595,300	19,243,805	8,648,505	55.06%	2,099,720	411.89%
10/1/2005	11,089,677	21,030,823	9,941,146	52.73%	2,342,130	424.45%
10/1/2006	12,343,228	22,662,166	10,318,938	54.47%	2,471,155	417.58%
10/1/2007	13,793,859	24,372,764	10,578,905	56.60%	2,620,850	403.64%
10/1/2008	14,201,352	26,363,379	12,162,027	53.87%	2,848,256	427.00%
10/1/2009	14,328,134	28,569,608	14,241,474	50.15%	3,016,684	472.09%
10/1/2010	14,540,423	30,735,583	16,195,160	47.31%	3,124,463	518.33%
10/1/2011	14,653,366	32,532,658	17,879,292	45.04%	2,948,616	606.36%
10/1/2012	14,604,878	34,115,851	19,510,973	42.81%	2,663,341	732.58%

**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>
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%
2012	1,550,520	1,312,403	272,498	102%

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

September 30, 2012

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, 2012, are as follows:

Valuation date	October 1, 2012
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 2012.

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, 2012, and have issued our report thereon dated April 9, 2013. 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.

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

Our consideration of 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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

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.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A."

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
April 9, 2013