

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

FINANCIAL STATEMENTS  
September 30, 2015 and 2014

**DAVIDSON, JAMIESON & CRISTINI, P.L.**  
*Certified Public Accountants*

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

**September 30, 2015 and 2014**

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City of Dunedin Municipal Firefighters'  
Pension Trust Fund  
Dunedin, Florida

**INDEPENDENT AUDITOR'S REPORT**

**Report on Financial Statements**

We have audited the accompanying financial statements of City of Dunedin Municipal Firefighters' Pension Trust Fund (Fund), which comprise the statements of fiduciary net position as of September 30, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

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

The Plan's Board of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

**Auditor's Responsibility**

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 Plan'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 Plan'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.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Dunedin Municipal Firefighters' Pension Trust Fund as of September 30, 2015 and 2014, and the changes in fiduciary net position for the years the ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying required supplementary information on pages 22 through 28 of the City of Dunedin Municipal Firefighters' Pension Trust Fund is required by Governmental Accounting Standards Board Statement No. 67 and is not a required part of the basic financial statements. The additional information on page 29 is presented for purposes of additional analysis and is also not a required part of 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 above information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

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.

*Davidson, Jamieson & Creative, P.L.*

February 23, 2016

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

**STATEMENTS OF FIDUCIARY NET POSITION**

September 30, 2015 and 2014

Assets

	<u>2015</u>	<u>2014</u>
<b>Receivables:</b>		
Interest	\$ 32,192	\$ 28,573
Dividends	15,742	14,401
Broker-dealers	49,053	-
Intergovernmental:		
Supplemental State Excise Tax Rebate	35,347	50,094
	<u>132,334</u>	<u>93,068</u>
<b>Total receivables</b>		
<b>Investments at fair value:</b>		
U.S. Government obligations	1,381,881	1,387,844
U.S. Government agency obligations	1,278,980	1,038,383
Corporate obligations	3,112,452	3,329,894
Domestic stocks	12,184,483	12,787,376
International stocks	2,802,180	2,630,427
Real estate investment fund	2,598,046	2,422,421
Temporary investment fund	299,745	608,317
	<u>23,657,767</u>	<u>24,204,662</u>
<b>Total investments</b>		
<b>Prepaid expenses</b>	<u>1,075</u>	<u>729</u>
<b>Total assets</b>	<u>23,791,176</u>	<u>24,298,459</u>
<u>Liabilities</u>		
Accounts payable	32,133	29,771
Accounts payable, broker-dealers	10,368	-
	<u>42,501</u>	<u>29,771</u>
<b>Total liabilities</b>	<u>42,501</u>	<u>29,771</u>
<b>Net position restricted for pensions</b>	<u>\$ 23,748,675</u>	<u>\$ 24,268,688</u>

See Notes to Financial Statements.

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

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

Years ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Additions:</b>		
Contributions:		
Plan members	\$ 178,121	\$ 176,623
Plan member buyback	32,877	64,645
Employer	<u>479,580</u>	<u>510,314</u>
Total contributions	690,578	751,582
Intergovernmental revenue:		
State excise tax rebate	268,550	271,935
Supplemental state excise tax rebate	<u>35,347</u>	<u>50,094</u>
Total intergovernmental revenue	303,897	322,029
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	(638,680)	1,693,027
Interest	156,604	160,917
Dividends	263,664	208,456
Commission recapture	4,117	5,004
Class action revenue	142	19
Other	<u>300</u>	<u>700</u>
Total investment income (loss)	(213,853)	2,068,123
Less investment expenses	<u>(140,734)</u>	<u>(137,200)</u>
<b>Net investment income (loss)</b>	<u>(354,587)</u>	<u>1,930,923</u>
<b>Total additions</b>	639,888	3,004,534
<b>Deductions:</b>		
Benefits:		
Age and service	920,789	871,578
Disability	153,927	211,728
SHARE payments	-	-
Refunds of contributions	16,668	-
Administrative expenses	<u>68,517</u>	<u>46,515</u>
<b>Total deductions</b>	<u>1,159,901</u>	<u>1,129,821</u>
<b>Net increase (decrease) in net position</b>	(520,013)	1,874,713
<b>Net position restricted for pensions:</b>		
<b>Beginning of year</b>	<u>24,268,688</u>	<u>22,393,975</u>
<b>End of year</b>	<u>\$ 23,748,675</u>	<u>\$ 24,268,688</u>

See Notes to Financial Statements.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 1. Description of the Plan

The following brief description of the City of Dunedin Municipal Firefighters' Pension Trust Fund (Plan) is provided for general information purposes only. Participants should refer to the Plan Agreement for more complete information.

The Plan is a defined benefit pension plan covering all full-time firefighters of the City of Dunedin, Florida (City).

At September 30, 2015, the Plan's membership consisted of:

Retirees and beneficiaries:

Currently receiving benefits	45
DROP retirees	1
Terminated employees entitled to benefits but not yet receiving them	<u>3</u>
Total	<u><u>49</u></u>

Current employees:

Vested	31
Nonvested	<u>19</u>
Total	<u><u>50</u></u>

At October 1, 2014, the date of the most recent actuarial valuation, there were 43 retirees, disabled firefighters and beneficiaries.

General - 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 1980 and substantially amended in 2002, 2003, 2004, 2008, and 2012 the Plan provides for pension, death and disability benefits. The Plan is subject to provisions of Chapter 175 of the State of Florida Statutes.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 1. Description of Plan (Continued)

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 levels and the Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

Pension Benefits - Under the Plan, participants with ten or more years of continuous service are entitled to annual pension benefits beginning at age fifty-five or at age fifty-two if they have completed twenty-five continuous years of service. Benefits are equal to three percent of the participant's average final compensation (FAC) for each of the first twenty-five years of credited service and two percent of average compensation for each year in excess of thirty-seven and one-half years. Beginning April, 2003, a supplemental monthly benefit of \$3 per year of service, not to exceed \$75, was added for future retirees. Service between twenty-five and thirty-seven and one-half years does not add to benefits. A participant's normal retirement benefit is a ten year certain and life annuity measured from the date of commencement. 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.

The early retirement accrual rate is 3% per year to age 50 and 3.33% per year from age 50 to 45.

Death Benefit - For any participant who dies while an actively employed participant who was eligible for early or normal retirement, the benefit payable shall be at least equal in value to the amount which would have been paid had the participant retired. Benefits payable under service-connected death for participants ineligible for early retirement shall be payable to the spouse at the rate of fifty percent of the participant's regular base salary for the life of the spouse. If there is no spouse, or upon the death of the spouse, each unmarried child shall receive fifteen percent of the participant's regular base salary (aggregate not greater than fifty percent) until age of eighteen, or the age of twenty-two if a full-time student at an accredited institution. A nonservice connected death benefit shall be payable to the spouse at the rate of twenty-five percent of the participant's regular base salary until the earlier of death or remarriage of the spouse; benefits are payable to the children in amounts equal to one-half of the benefits as are payable by reasons of service-incurred death.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 1. Description of Plan (Continued)

Disability Benefits - Benefits payable to participants under service-incurred disability shall be paid in monthly installments of the greater of sixty percent of the participant's average salary over the highest five years or the participant's accrued benefit 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 then continued to the beneficiary for life. After ten years of continuous service, should a participant become disabled due to a nonservice-incurred cause, benefits of the greater of thirty percent of the participant's average salary over the highest five years or the participant's accrued benefit shall be paid from the date of disability until recovery or death. Disability payments may be reduced proportionally to the extent that the disabled participant's benefits received hereunder together with worker's compensation benefits exceed his earnings for the calendar year preceding disability .

Refund of Contributions - Covered firefighters are required to contribute 5.5% of their salary to the Plan. If a nonvested firefighter retires, dies, becomes disabled, or terminates employment with the City, accumulated contributions paid by the firefighter are refunded to the firefighter or the designated beneficiary.

Deferred Retirement Option Plan (DROP) - A member may retire on the first day of the month coincident with or next following the earlier of: (1) age 52 and 25 years of Credited Service, or (2) age 55 and 10 years of Credited Service, or (3) 20 years of Credited Service regardless of age. Members who meet eligibility must submit a written election to participate in the DROP. The member's credited service and FAC are frozen upon entry into the DROP. The monthly retirement benefit as described under normal retirement is calculated based upon the frozen credited service and FAC. In addition, a supplemental benefit of \$3 per year of credited service up to a maximum of \$75 is payable monthly to members who meet the requirements of normal retirement and retire. DROP participants do not receive the supplement until actual termination of employment.

The maximum DROP period is the earlier of 5 years of participation in the DROP or when the member has completed 30 years of credited service. The member's average daily balance of the DROP account is debited or credited with interest on a quarterly basis at a rate equal to the trust fund's net investment return for the quarter.

Share Plan - 75% of the excess state excise tax received each fiscal year is allocated equally among eligible members.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 2. Summary of Significant Accounting Policies

Basis of Accounting - Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. 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.

Basis of Presentation - The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Defined Benefit Pension Plans* and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer. The accompanying financial statements include solely the accounts of the Plan which include all programs, activities and functions relating to the accumulation and investment of assets and related income necessary to provide the service, disability and death benefits required under the terms of the Plan and the amendments thereto.

Valuation of Investments - Investments in common stock and bonds traded on a national securities exchange are valued at the last reported sales price on the last business day of the plan year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the past reported bid and asked prices; investments in securities not having an established market value are valued at fair value as determined by the Board of Trustees. The fair value of an investment is the amount that the Plan could reasonably expect to receive for it in a current sale between market participants, other than in a forced or liquidation sale. Investment transactions are recorded on a trade date basis.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation or depreciation in fair value of investments includes the differences between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the Statement of Change in Fiduciary Net Position.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 2. Summary of Significant Accounting Policies (Continued)

Asset Allocation - The Plan's adopted asset allocation policy as of September 30, 2015 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	55%
International equity	10
Domestic bonds	25
Real estate	<u>10</u>
Total	<u>100%</u>

Rate of Return - For the year ended September 30, 2015, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was -1.47 percent adjusted for the changing amounts actually invested.

Custody of Assets - Custodial services are provided to the Plan under contract with Fiduciary Trust International of the Fourth (FTIOS), a national bank having trust powers. The Plan's investment policies are governed by ordinances of the City of Dunedin and Florida Statutes.

Authorized Plan Investments - The Board recognizes that the obligation of the Plan are long-term and that investment policy should be made with a view toward performance and return over a number of years. The general investment objective, then, is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or loss commensurate with the Prudent Investor Rule and Chapter 175 of the Florida Statutes.

Permissible investments include obligations of the U.S. Government or those guaranteed by the U.S. Government, U.S. Government agencies, time deposits insured by the FDIC, and common or preferred stock of U.S. companies and high quality corporate bonds or notes of at least an A rating. Foreign equity securities and foreign fixed income securities are also permitted up to a limit of 25% of the respective equity or fixed income portfolios.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 2. Summary of Significant Accounting Policies (Continued)

In addition, the Plan limits investments in common stock (equity investments) as follows:

- a. No more than five percent of the Plan's assets may be invested in the common or capital stock of any single corporation.
- b. 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.
- c. The equity and bond investment mix is targeted at 60% equities and 40% bonds. Significant variations from these targets will result in rebalancing.

Actuarial Cost Method - The Plan has elected the Entry Age Normal Actuarial Cost Method for funding purposes. This method allocates future normal costs based on the earnings of each firefighter. Entry age is the firefighter's age nearest his/her birthday on October first following his employment. The unfunded actuarially accrued liability is funded as a level percentage of payroll over a closed thirty year period.

Federal Income Taxes - The Plan has not applied for a favorable determination letter from the Internal Revenue Service indicating that the Plan is qualified and exempt from Federal income taxes. The Board believes that the Plan is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

Administrative Costs - All administrative costs of the Plan are financed through investment earnings. The Plan has no undue investment concentrations.

Cash - The Plan considers money market and demand account bank and broker-dealer deposits as cash. Temporary investments, shown on the balance sheet are composed of investments in short-term custodial proprietary money market funds.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 2. Summary of Significant Accounting Policies (Continued)

Reporting Entity - The financial statements presented are only for the Plan and are not intended to present the basic financial statements of the City of Dunedin, Florida.

The Plan is included in the City's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2015 and 2014, which are separately issued documents. Anyone wishing further information about the City is referred to the City's CAFR.

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

Risk and Uncertainties - The Plan invests in a variety of security investments. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Derivatives - The Plan has no instrument that, in whole or in part, is accounted for as a derivative instrument under GASB statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* during the current Plan year.

Subsequent Events - Management has adopted the provisions set forth in GASB Statement No. 56, *Subsequent Events*, and considered subsequent events through the date of the audit report which is the date the financial statements were available to be issued.

New Accounting Pronouncements - Governmental Accounting Standards Board (GASB) 67, *Financial Reporting for Pension Plans* and GASB 68, *Accounting & Financial Reporting for Pensions (Employer)*, address accounting and financial reporting requirements for pension plan activities. The City of Dunedin Municipal Firefighters' Pension Trust Fund (Plan) is a single employer pension plan as defined by GASB 67. The requirements for GASB 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

It is important to note that the disclosures related to GASB 67 are accounting measurements, not actuarial measurements of the funded status of the plan, and are not used to develop employer contribution rates.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 3. Funding Policy

As a condition of participation, firefighters are required to contribute 5.5% of their earnings to the Plan. These contributions are designated as employee contributions under Section 414(c)(2) of the Internal Revenue Code. The City's funding policy is to make monthly contributions to the Plan in fixed amounts, actuarially computed, such that, when combined with firefighters' contributions and the State insurance fund contribution, all firefighters' benefits will be fully provided by the time they retire. The Plan does not have legal or contractual maximum contribution rates.

The Plan's administrative costs are financed through investment earnings. The Plan has no undue investment concentrations.

The City's actuarially determined contribution rate for the year ended September 30, 2015 was 15.00%. This rate consists of 14.08% of member salaries to pay normal costs plus 1.00% to amortize the unfunded actuarially accrued liability pursuant to the October 1, 2014 actuarial valuation.

### 4. Deposits and Investments

#### Deposits

Regions Morgan Keegan Trust (Regions) periodically holds uninvested cash in its capacity as custodian for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

#### Investments

As of September 30, 2015 the Plan's investments are managed under separate investment agreements with Rockwood Capital Advisors, L.L.C. and Harding Loevner, L.P. These agreements give Regions the custodianship, but gives Rockwood Capital Advisors, L.L.C. and Harding Loevner, L.P. the authority to manage the investments. These assets are invested in accordance with specific investment guidelines as set forth in the Plan. Investment management fees are calculated quarterly as a percentage of the fair market value of the Plan's assets managed.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 4. Deposits and Investments (Continued)

#### Investments (Continued)

Cornerstone Patriot Fund (CPF) is an alternative real estate investment vehicle valued using the net asset value (NAV) provided by the investment managers of the fund. The NAV is based on the value of the underlying assets owned by these funds minus its liabilities and then divided by the number of shares or percentage of ownership outstanding. The NAV's unit price is quoted on a private market that is not active, however, the unit price is based on underlying investments.

The values of these alternative investments are not necessarily indicative of the amount that could be realized in a current transaction. The fair value may differ significantly from the values that would have been used had a ready market for the underlying assets existed, and the differences could be material. Future confirming events will also affect the estimates of fair value and the effect of such events on the estimates of fair value could be material.

The alternative investment funds expose the Plan to certain risks, including liquidity risks, counterparty risks, foreign political, economic, and governmental risks, and market risk. In addition, these investments may have initial lock-up periods, as well as restrictions for liquidating positions in these funds, that make the investment non-current and non-marketable.

The Plan had no investments that individually represent 5% or more of the Plan's net assets available for benefits as of September 30, 2015.

Except for the CPF Fund, the Plan's investments are uninsured and unregistered and are held in custodial accounts in the Plan's name.

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

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2015 and 2014

**4. Deposits and Investments (Continued)**

Investments (Continued)

The Plan held the following fixed income investments as of September 30, 2015:

<u>Investment Type</u>	<u>Percentage of Fund</u>	<u>Fair Value</u>	<u>Rating Standard &amp; Poor's</u>	<u>Effective Duration (Years)</u>
U.S. Government obligations	5.80%	\$ 1,381,881	AA	6.4
U.S. Government agency obligations	5.30	1,278,980	AA	4.9
Domestic corporate obligations	13.10	3,112,452	BAA-A	7.5
Temporary investment funds	<u>1.20</u>	<u>299,745</u>	AAA	Daily
Total	<u>25.40%</u>	<u>\$ 6,073,058</u>		

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 risks. Through its investment policies the Plan manages its exposure to fair value losses rising from increasing interest rates. The Plan limits the effective duration of its investment portfolio through the adoption of the Barclays Capital Aggregate Bond Index benchmark.

Credit Risk - Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law the Plan's investment guidelines limit its fixed income investments to a quality rating of "A" or equivalent as rated by Moody's or by Standard & Poor's bond rating services at the time of purchase. Fixed income investments which are downgraded below the minimum rating must be liquidated at the earliest beneficial opportunity.

Custodial Credit Risk - Custodial credit risk is defined as 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. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 4. Deposits and Investments (Continued)

#### Investments (Continued)

Investment in Foreign Markets - 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 or unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

Foreign Tax Withholdings and Reclaims - Withholding taxes on dividends from foreign securities are provided for based on rates established via treaty between the United States of America and the applicable foreign jurisdiction, or where no treaty exists at the prevailing rate established by the foreign country. Foreign tax withholdings are reflected as a reduction of dividend income in the statement of operations. Where treaties allow for a reclaim of taxes, the Fund will make a formal application for refund. Such reclaims are included as an addition to dividend income.

Investing in Real Estate - The Plan is subject to the risks inherent in the ownership and operation of real estate. These risks include, among others, those normally associated with changes in the general economic climate, trends in the industry including creditworthiness of tenants, competition for tenants, changes in tax laws, interest rate levels, the availability of financing and potential liability under environmental and other laws.

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

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2015 and 2014

**5. Net Increase (Decrease) in Realized and Unrealized Appreciation (Depreciation) of Investments**

The Plan's investments appreciated (depreciated) in value during the year ended September 30, 2015 and 2014 as follows:

	Year Ended September 30, 2015			Year Ended September 30, 2014		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted value price:						
U.S. Government obligations	\$ 72,334	\$ 4,421	\$ 76,755	\$ (14,580)	\$ 18,781	\$ 4,201
U.S. Government agency obligations	(7,773)	12,003	4,230	(31,735)	30,333	(1,402)
Corporate obligations	9,560	(85,224)	(75,664)	18,034	(6,994)	11,040
Domestic stocks	(39,708)	(616,163)	(655,871)	1,748,285	(525,367)	1,222,918
International stocks	57,563	(319,788)	(262,225)	75,141	165,451	240,592
Real estate investment fund	-	274,095	274,095	-	215,678	215,678
Net increase in realized and unrealized appreciation (depreciation) of investments	<u>\$ 91,976</u>	<u>\$ (730,656)</u>	<u>\$ (638,680)</u>	<u>\$ 1,795,145</u>	<u>\$ (102,118)</u>	<u>\$ 1,693,027</u>

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments.

Unrealized gains and losses on investments sold in 2015 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

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

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2015 and 2014

**6. Investments**

The Plan's investments at both carrying value and cost or adjusted cost as of September 30, 2015 and 2014 are summarized as follows:

Investment	September 30, 2015		September 30, 2014	
	Cost	Fair Value	Cost	Fair Value
U.S. Government obligations	\$ 1,358,807	\$ 1,381,881	\$ 1,369,191	\$ 1,387,844
U.S. Government agency obligations	1,245,297	1,278,980	1,016,703	1,038,383
Corporate obligations	3,167,390	3,112,452	3,299,609	3,329,894
Domestic stocks	10,304,210	12,184,483	10,290,939	12,787,376
International stocks	2,645,175	2,802,180	2,153,634	2,630,427
Real estate investment fund	2,043,638	2,598,046	2,142,108	2,422,421
Temporary Investment funds	299,745	299,745	608,317	608,317
<b>Total</b>	<b><u>\$ 21,064,262</u></b>	<b><u>\$ 23,657,767</u></b>	<b><u>\$ 20,880,501</u></b>	<b><u>\$ 24,204,662</u></b>

**7. 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.

All of the Plan's financial investments are carried at fair value on the Statements of Fiduciary Net Position included in investments. The gain or loss on financial instruments is recognized and recorded on the Statement of Changes in Fiduciary Net Position as part of investment income.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 8. Designations

A portion of the plan net assets are designated for benefits that accrue in relation to the DROP accounts as further described in Note 1. Allocations to the DROP and Share accounts for the years ended September 30, 2015 and 2014 are presented below as determined in the most recent actuarial valuation available as of September 30, 2015:

	<u>2015</u>	<u>2014</u>
Designated for DROP accounts (fully funded)	\$ 47,053	\$ -
Designated for Share accounts (fully funded)	<u>100,061</u>	<u>51,999</u>
Total designated net position	147,114	51,999
Undesignated net position	<u>23,601,561</u>	<u>24,216,689</u>
Total net position	<u>\$ 23,748,675</u>	<u>\$ 24,268,688</u>

### 9. Plan Termination

Although it has not expressed any intention to do so, the City may terminate the Plan at any time by a written ordinance of the City Commission of Dunedin, duly certified by an official of the City. In the event that the Plan is terminated or contributions to the Plan are permanently discontinued, the benefits of each officer in the Plan at such termination date would be non-forfeitable.

# CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

### 10. Plan Amendments

The Plan was not amended during the fiscal year ended September 30, 2015.

The Plan was amended during the fiscal year ended September 30, 2014 as follows:

Ordinance 13-24:

This amendment provides for a change in the assumptions utilized for the definition of actuarial equivalence to match the current valuation assumptions for mortality and interest.

This Ordinance did not effect the City's funding requirements.

There was one Plan amendment during the fiscal year ended September 30, 2013 as follows:

Ordinance 13-23:

This amendment modified the Firefighters' Retirement System to comply with changes in federal and state law changes.

This ordinance did not effect the City's funding requirements.

### 11. Actuarial Assumption/Method Changes

The payroll growth assumption used in amortizing the Unfunded Actuarial Accrued Liability is limited by Chapter 112, Florida Statutes, to the actuarial historical 10-year average. Therefore, this assumption was changed from 2.40% to 1.77% per year at 9/30/15. Additionally, since the UAAL went from a liability to a credit, the actuary implemented a "fresh start" to the UAAL in order to consolidate all prior existing UAAL bases into one base. Future UAAL bases will be amortized over a 30-year period, which is consistent with the prior method that was utilized prior to the fresh start.

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

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2015 and 2014

**12. Commitments and Contingencies**

As described in Note 1, certain members of the Plan are entitled to refunds of their accumulated contributions, without interest, upon termination of employment with the City prior to being eligible for pension benefits. At September 30, 2015 aggregate contributions from active members of the Plan were approximately \$1,969,000. The portion of these contributions which are refundable to participants who may terminate with less than ten years of service has not been determined.

**13. Net Pension Liability of the City**

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

Total pension liability	\$	24,363,845
Plan fiduciary net position		<u>23,748,675</u>
City's net pension liability	\$	<u><u>615,170</u></u>
Plan fiduciary net position as a percentage of total pension liability		<u><u>97.47%</u></u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary increases	4% -14%
Investment rate of return	7.75%
Discount rate	7.75%

Mortality Rates - RP-2000 Generational Mortality Table, Sex Distinct. Disableds set forward 5 years. Based upon other studies of municipal firefighters, we feel this assumption sufficiently accommodates future mortality improvements.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

**13. Net Pension Liability of the City (Continued)**

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 the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

<u>Target Allocation</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
55%	Domestic equity	4.87%
10%	International equity	8.00%
25%	Domestic bonds	2.70%
10%	Real estate	6.00%

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent. 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 City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	<u>6.75%</u>	<u>7.75%</u>	<u>8.75%</u>
City's net pension liability	\$ 3,340,568	\$ 615,170	\$ (1,681,404)

**REQUIRED SUPPLEMENTARY INFORMATION**

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

September 30, 2015

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY**

**Last Three Fiscal Years**

	September 30, 2015	September 30, 2014	September 30, 2013
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total pension liability:			
Service Cost	\$ 795,653	\$ 793,320	\$ 736,260
Interest	1,786,282	1,710,223	1,582,355
Changes in excess state money	5,213	9,746	-
Share plan allocation	15,635	29,234	-
Differences between expected and actual experience	(214,235)	-	-
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - buy-back	32,877	64,645	-
Benefit payments, including refunds of employee contributions	<u>(1,091,384)</u>	<u>(1,083,306)</u>	<u>(1,108,109)</u>
Net change in total pension liability	1,330,041	1,523,862	1,210,506
Total pension liability - beginning	<u>23,033,804</u>	<u>21,509,942</u>	<u>20,299,436</u>
Total pension liability - ending (a)	<u>\$ 24,363,845</u>	<u>\$ 23,033,804</u>	<u>\$ 21,509,942</u>
Plan fiduciary net position:			
Contributions - employer	\$ 479,580	\$ 510,314	\$ 358,128
Contributions - State	303,897	322,029	314,996
Contributions - employees	178,121	176,623	172,605
Contributions - buy-back	32,877	64,645	-
Net investment income (loss)	(354,587)	1,930,923	2,509,249
Benefit payments, including refunds of employee contributions	<u>(1,091,384)</u>	<u>(1,083,306)</u>	<u>(1,108,109)</u>
Administrative expenses	(68,517)	(46,515)	(48,949)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(520,013)	1,874,713	2,197,920
Plan fiduciary net position - beginning	<u>24,268,688</u>	<u>22,393,975</u>	<u>20,196,055</u>
Plan fiduciary net position - ending (b)	<u>\$ 23,748,675</u>	<u>\$ 24,268,688</u>	<u>\$ 22,393,975</u>
Net pension liability (a) - (b)	<u>\$ 615,170</u>	<u>\$ (1,234,884)</u>	<u>\$ (884,033)</u>

**CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND  
September 30, 2014**

**SCHEDULE OF RATIOS  
Last Three Fiscal Years**

	September 30, 2015	September 30, 2014	September 30, 2013
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.47%</u>	<u>105.36%</u>	<u>104.11%</u>
Covered employee payroll	\$ <u>3,288,615</u>	\$ <u>3,211,327</u>	\$ <u>3,138,275</u>
Net pension liability as a percentage of covered payroll	<u>18.71%</u>	<u>(38.45)%</u>	<u>(28.17)%</u>

**Notes to Schedule:**

\*For the fiscal years 2013 and 2014, the covered employee payroll figures were based on pensionable salary.

The inflation assumption has been lowered from 3.50% to 3.00%.

**CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**  
**September 30, 2015**

**SCHEDULE OF CONTRIBUTIONS**  
**Last three Fiscal Years**

	September 30, 2015	September 30, 2014	September 30, 2013
Actuarially determined contributions	\$ 784,433	\$ 793,364	\$ 832,898
Contributions in relation to the actuarially determined contributions	784,433	793,364	832,898
	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,288,615	\$ 3,211,327	\$ 3,138,275
Contributions as a percentage of covered employee payroll	23.85%	24.71%	26.54%

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

September 30, 2015

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

Valuation Date: October 1, 2013

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 cost method.  
Amortization method: Level percentage of pay, closed.  
Remaining amortization period: 26 years (as of 10/01/2013).  
Asset valuation method: All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actuarial market value investment return against expected market value investment return ) over a five-year period.

Inflation 3.0% per year.

Interest rate: 7.75% per year, compounded annually, net of investment related expenses.

Payroll growth: 3.5% per year for amortization of the unfunded actuarial accrued liability.

Retirement rates:

<u>Number of Years After First Eligibility for Normal Retirement</u>	<u>Probability of Normal Retirement</u>
0	35%
1	20%
2	20%
3	20%
4	20%
5+	100%

The assumed rate of retirement is 5.0% for each year of eligibility for early retirement.

Mortality rates: RP-2000 Generational Mortality Table - Sex Distinct.  
Disableds set forward 5 years.

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

September 30, 2015

**NOTES TO SCHEDULE OF CONTRIBUTIONS (CONTINUED)**

Disability rates:	<u>Age</u>	<u>% Becoming Disabled During the Year</u>	
	20	0.14%	
	25	0.15%	
	30	0.18%	
	35	0.23%	
	40	0.30%	
	45	0.51%	
	50	1.00%	
Salary increases:	<u>Years of Service</u>	<u>% Increase in Salary</u>	
	0	14.0%	
	1	13.0%	
	2	12.0%	
	3	11.0%	
	4	10.0%	
	5	9.0%	
	6	8.5%	
	7	8.0%	
	8	7.5%	
	9	7.0%	
	10	6.5%	
	11	6.0%	
	12	5.5%	
	13	5.0%	
14+	4.0%		
Mortality rates (2013):	<u>Age</u>	<u>Male</u>	<u>Female</u>
	50	0.17%	0.13%
	55	0.28%	0.25%
	60	0.55%	0.47%
	65	1.06%	0.91%
	70	1.82%	1.57%
	75	3.15%	2.53%
	80	5.65%	4.19%

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

September 30, 2015

**NOTES TO SCHEDULE OF CONTRIBUTIONS (CONTINUED)**

Termination rates:	<u>Sample Ages</u>	<u>Years of Service</u>	<u>% of Active Members Separating Within Next Year</u>
	ALL	0	15.0%
		1	15.0%
		2	7.0%
		3	7.0%
		4	5.0%
		5	5.0%
		6	4.0%
		7	4.0%
		8	2.0%
		9	2.0%
		10+	0.5%

Actuarial asset method: All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

**CITY OF DUNEDIN MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**  
September 30, 2015

**SCHEDULE OF INVESTMENT RETURNS**

**Last Three Fiscal Years**

	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Annual money-weighted rate of return net of investment expenses	<u>-1.47%</u>	<u>8.56%</u>	<u>13.40%</u>

**ADDITIONAL INFORMATION**

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

**SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES**

Years ended September 30, 2015 and 2014

	2015		2014	
	Investment Expenses	Administrative Expenses	Investment Expenses	Administrative Expenses
Expenses:				
Accounting fees	\$ -	\$ 5,775	\$ -	\$ 4,450
Actuary fees	-	16,870	-	12,246
Administrator's fees	-	8,505	-	7,268
Audit fees	-	6,800	-	4,600
Custodial fees	8,176	-	8,614	-
Directors' liability insurance	-	3,125	-	3,757
Dues and subscriptions	-	600	-	600
Investment managers' fees:				
Harding Loevner	16,144	-	16,409	-
Rockwood Capital Advisors	100,438	-	96,328	-
Legal fees	-	7,978	-	7,055
Office expenses	-	10,815	-	-
Performance monitor	15,976	-	15,849	-
Secretary's fee	-	4,800	-	4,800
Seminars and training	-	3,249	-	1,739
	<u>\$ 140,734</u>	<u>\$ 68,517</u>	<u>\$ 137,200</u>	<u>\$ 46,515</u>
Percentage of plan net position	<u>0.59%</u>	<u>0.29%</u>	<u>0.56%</u>	<u>0.19%</u>