RETIREMENT PLAN FOR THE EMPLOYEES OF THE TOWN OF SURFSIDE

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE

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INDEPENDENT AUDITORS' REPORT

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Pension Board
Retirement Plan for Employees of the Town of Surfside
Town of Surfside, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Retirement Plan for Employees of the Town of Surfside (the Plan), which comprise the statement of fiduciary net position as of September 30, 2014, and the related statement of changes in fiduciary net position for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MARCUMGROUP
MEMBER

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the Plan, as of September 30, 2014, and the respective changes in fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Comparative Information
The Plan's 2013 financial statements were audited by other auditors, and their report dated May 29, 2014, expressed an unmodified opinion on those financial statements. In our opinion, the comparative information presented herein as of and for the fiscal year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, changes in the Town's net pension liability and related ratios, Town's contributions, and investment returns on pages 4 to 8 and 24 to 27, respectively, 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
June 19, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Retirement Plan for Employees of the Town of Surfside (the Plan) provides an overview of the financial activities and funding conditions for the fiscal years ended September 30, 2014 and 2013. Please review this discussion and analysis in conjunction with the financial statements and the notes to the financial statements which follows this discussion.

OVERVIEW OF FINANCIAL STATEMENTS

Financial Statements

The Plan presents select comparative financial information as of and for the fiscal years ended September 30, 2014 and 2013. The financial statements are prepared using the accrual basis of accounting in accordance with the Governmental Accounting Standards Board (GASB) pronouncements. The two financial statements are the statement of fiduciary net position and the statement of changes in fiduciary net position.

The statement of fiduciary net position presents information on all of the Plan's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position restricted for pension benefits. This represents the value of net position held in trust to pay pension benefits. The Plan did not have any deferred outflows or inflows as of September 30, 2014 or 2013.

By contrast, the statement of changes in fiduciary net position presents information showing how the Plan's net position changed, on a comparative basis, with additions (revenue) and deductions (expenses) for the fiscal year.

Notes to Financial Statements

The notes to financial statements are an integral part of the financial statements and provide additional information and schedules that are essential for a full understanding of the Plan provided in the financial statements. Among other things, information in the notes discloses the method used to value investments, a general description of the Plan, contribution information and investment information.

Required Supplementary Information

Because of the long-term nature of a defined benefit plan, the Plan provides four required schedules of historical trends based on the actuarial valuations performed by the Plan's actuary and analysis of investment returns by the Plan's investment consultant.

Other Supplementary Information

Other schedules provided are the Schedules of Administrative and Investment Expenses (supplementary information) incurred by the Plan.

FINANCIAL HIGHLIGHTS

The Plan's fiduciary net position available for Plan benefits held in trust increased by $1,772,296 from $14,485,734 for the fiscal year ended September 30, 2013, to $16,258,030 for the fiscal year ended September 30, 2014, (an increase of 12.2% over the prior year) as a result of the current year's activities.

The required contribution from the Town for the fiscal year ended September 30, 2014, decreased by $32,810 to $631,584, a decrease of approximately 4.94%.

The Plan's investments had net investment income for the fiscal year ended September 30, 2014, of $1,396,431 compared with the net investment income of $1,448,336 for the fiscal year ended September 30, 2013, a decrease of $51,905.

Benefit payments for the fiscal year ended September 30, 2014, were $504,547, a decrease of $29,360 or 5.5% from the fiscal year ended September 30, 2013.

FINANCIAL ANALYSIS

The total fund investment performance for the investments under management for the fiscal years ended 2014 and 2013 was 9.5% and 11.5%, respectively, due to better market performance for fiscal year 2013 over fiscal year 2014. The actuarial assumption rate of return is 7.5%. Investments reported investment income of $1,396,431, net of management fees, and other investment expenses.

PLAN NET POSITION

The table below shows a comparative summary of Plan Fiduciary Net Position:

	September 30,		Increase (Decrease) 2013 to 2014	
	2014	2013	Amount	Percent
Investments	$ 16,672,267	$ 14,973,129	$ 1,699,138	11.3%
Other assets	(375,499)	(334,216)	(41,283)	12.4%
Total Assets	16,296,768	14,638,913	1,657,855	11.3%
Total Liabilities	38,738	153,179	(114,441)	-74.7%
Net Position Restricted for Pension Benefits	$ 16,258,030	$ 14,485,734	$ 1,772,296	12.2%

Plan liabilities decreased primarily as a result of a “due to broker” due to the timing of investment transactions at September 30, 2013 of $119,654 compared to $3,535 at September 30, 2014.

Plan other assets decreased primarily as a result of a “due from broker” due to the timing of investment transactions at September 30, 2013 of $84,559 compared to $0 at September 30, 2014.

There were net increases in the fiduciary net position of $1,772,296 and $1,929,609 for years ended September 30, 2014 and 2013, respectively.

CHANGES IN PLAN NET POSITION

The table below shows a comparative summary of the changes in the fiduciary net position and reflects the activities of the trust.

			Increase (Decrease) 2013 to 2014	
	2014	2013	Amount	Percent
Employer contributions	$ 631,584	$ 664,394	$ (32,810)	-4.9%
Member contributions	349,600	375,275	(25,675)	-6.8%
Buy back contributions	--	108,273	(108,273)	-100.0%
Net investment income	1,396,431	1,448,336	(51,905)	-3.6%
Total Additions	$ 2,377,615	$ 2,596,278	$ (218,663)	-8.4%

			Increase (Decrease) 2013 to 2014	
	2014	2013	Amount	Percent
Benefit payments	$ 504,547	$ 533,907	$ (29,360)	-5.5%
Refund of contributions	41,199	63,484	(22,285)	-35.1%
Administrative expenses	80,194	69,278	10,916	15.8%
Total Deductions	$ 625,940	$ 666,669	$ (40,729)	-6.1%

PLAN MEMBERSHIP

The table below reflects the Plan membership as of the beginning and the ending of the fiscal year.

CHANGES IN ACTIVE PLAN MEMBERSHIP

	September 30, 2014	September 30, 2013	Change
Current Employees			
Fully vested	35	37	(2)
Partially vested	16	14	2
Non-vested	33	40	(7)
	84	91	(7)

RETIREES, BENEFICIARIES AND DISABLED

As of September 30, 2014, there were 37 retirees including one police officer and three general employees who are in the DROP program, beneficiaries and disabled's receiving benefits. As of September 30, 2014, there were 6 employees who had separated from service who were entitled to benefits, but were not yet receiving them.

FUNDING STATUS

Of primary concern to most pension plan participants is the amount of money available to pay benefits. Historically, defined benefit pension plans have been underfunded when the employer failed to make annual actuarially required contributions to the Plan. The Town has traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary. Therefore, a net pension obligation (NPO) for the Town has not been required for the Plan. This is due in large part to implementation of conservative business practices and to the funding requirements established in Florida law.

Florida Statutes, Chapter 112 requires local pension plans to be funded based upon actuarial valuations prepared in conformance to industry standards and by enrolled actuaries. To ensure this, the State has engaged the services of an actuary. Each actuarial report must be submitted to and accepted by the State. State acceptance must he obtained before the actuarial report and its proposed contribution rate is authorized for use.

For Plan funding progress, the Retirement Plan for Employees of the Town of Surfside utilizes the Entry Age Actuarial Cost Method. The Funded Ratios are presented below.

October 1,	Funded Ratio
2009	100.3%
2010	99.1%
2011	94.1%
2012	89.4%
2013*	89.8%
2013**	89.6%
2014	90.3%

*Prior to Plan Amendment
**After Plan Amendment

ASSET ALLOCATION

The following table indicates the actual asset allocations at fair value as of September 30, 2014 and 2013.

ASSET ALLOCATIONS AT MARKET

	September 30,			
	2014		2013	
Short-term investment fund	$ 494,567	3.1%	$ 506,582	3.5%
U.S. government securities	680,403	4.2%	918,851	6.4%
U.S. government agency bonds	592,452	3.7%	738,272	5.1%
Mortgage backed securities	296,428	1.8%	307,965	2.1%
Corporate bonds	2,984,564	18.4%	2,816,043	19.5%
Municipal obligations	190,939	1.2%	32,744	0.2%
Equities	3,222,336	19.9%	2,117,088	14.6%
Exchange traded funds	7,716,011	47.7%	7,029,002	48.6%
	$ 16,177,700	100.0%	$ 14,466,547	100.0%

INVESTMENT ACTIVITIES

Investment income is vital to the Plan's current and continued financial stability. Therefore, the Trustees have a fiduciary responsibility to act prudently and discretely when making Plan investment decisions. To assist the Board in this area, a comprehensive formal Investment Policy is reviewed periodically. The last amendment to the Investment Policy was on September 12, 2013.

The Board reviews portfolio performance quarterly. Performance is evaluated and monitored by an independent investment consultant as to money manager style, collectively by investment type and for the aggregate portfolio. Investment types included domestic and international equities, and fixed income obligations.

The total fund investment performance for the investments for the fiscal year ended 2014 was 9.5%.

NET PENSION LIABILITY OF THE TOWN

With the implementation of GASB Statement No. 67, a new measure of the accounting liability of the Town is referred to as the Net Pension Liability and is measured as of the Plan’s fiscal year end and is presented in the required supplementary information.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

The financial report is designed to provide residents, taxpayers, Plan participants, and other interested parties with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or need additional financial information, please contact the Finance Director, 9293 Harding Avenue, Surfside, Florida 33154.

FINANCIAL STATEMENTS

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2013)

	2014	2013
Assets		
Investments, at Fair Value		
Short-term investment fund	$ 494,567	$ 506,582
U.S. Government agency bonds	592,452	738,272
U.S. Government securities	680,403	918,851
Municipal obligations	190,939	32,744
Corporate bonds	2,984,564	2,816,043
Mortgage backed securities	296,428	307,965
Equities	3,222,336	2,117,088
Exchange trades funds	7,716,011	7,029,002
Total Investments	16,177,700	14,466,547
Receivables		
Due from broker	--	84,559
Accrued interest and dividends	39,977	38,710
Employee contributions	39,904	39,564
Other receivables	21,972	--
Total Receivables	101,853	162,833
Prepaid Expenses	17,215	9,533
Total Assets	16,296,768	14,638,913
Liabilities		
Accounts payable	31,460	11,796
Due to broker	3,535	119,654
Refunds due to members	3,743	1,108
DROP payable	--	20,621
Total Liabilities	38,738	153,179
Net Position Restricted for Pension Benefits	$ 16,258,030	$ 14,485,734

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

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2013)

	2014	2013
Additions		
Contributions		
Plan members	$ 349,600	$ 375,275
Town	631,584	664,394
Buy back contributions	--	108,273
	981,184	1,147,942
Investment Income		
Net appreciation in fair value of investments	1,124,201	1,201,594
Interest and dividends	346,088	319,259
	1,470,289	1,520,853
Less investment expenses	(73,858)	(72,517)
Net Investment Income	1,396,431	1,448,336
Total Additions	2,377,615	2,596,278
Deductions		
Benefit payments	504,547	533,907
Refunds of contributions	41,199	63,484
Administrative expenses	80,194	69,278
Total Deductions	625,940	666,669
Net Increase in Net Position	1,751,675	1,929,609
Net Position Restricted for Pension Benefits		
Beginning, as previously reported	14,485,734	12,556,125
Prior period adjustment - GASB 67 adjustment	20,621	--
Beginning, as restated	14,506,355	12,556,125
Ending	$ 16,258,030	$ 14,485,734

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements of the Retirement Plan for Employees of the Town of Surfside (the Plan) are prepared using the economic resources measurement focus and accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer 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.

METHOD USED TO VALUE INVESTMENTS AND INVESTMENT INCOME RECOGNITION

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date basis. Interest and dividends are recorded as earned. Dividends are recorded on the ex-dividend date.

Within certain limitations as specified in the Plan, the investment policy is determined by the Pension Board and is implemented by its investment manager.

CONTRIBUTION REFUNDS

The defined benefit plan is contributory and employee contributions are one hundred percent refundable with interest at the rate of four percent per annum to terminated non-vested participants as well as vested former participants who elect to forfeit all rights to any benefits of the Retirement Plan.

NET POSITION RESTRICTED FOR PENSION BENEFITS

The net position restricted for pension benefits is the difference between the total plan assets and the total plan liabilities, and is held in trust for pension benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PLAN EXPENSES

In accordance with the provisions of the Plan, investment and administrative expenses of the Plan may be paid either by the Town or the Plan. The established policy is that the Retirement Plan pays all of the investment and administration expenses of the Plan as well as the actuarial fees for annual actuarial valuations. It has been the Town's policy to pay the fees for any additional actuarial services provided.

USE OF ESTIMATES

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

COMPARATIVE INFORMATION

The financial statements include certain prior year comparative information. Such information does not include sufficient detail to constitute presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the fiscal year ended September 30, 2013, from which the comparative information was derived. Certain amounts presented in the 2013 financial statements have been reclassified to conform to 2014 presentation.

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The Plan implemented the following GASB Statement during the fiscal year ended September 30, 2014 that had an impact on the financial statements:

> GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment to GASB Statement No. 25*

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefit provided through the plan (net pension liability).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS (CONTINUED)

The October 1, 2013 beginning net position restricted for pension benefits was restated due to the implementation of GASB 67 as follows:

Net position, October 1, 2013, Previously Stated	$ 14,506,355
Restatement of Net Position Due to the Implementation of GASB 67	20,621
Net Position, October 1, 2013, Restated	$ 14,526,976

Management analyzed GASB Statement No. 67 and determined that the Deferred Retirement Option Program (DROP) liability recorded in the previous year did not meet the criteria of a liability. A pension plan is required to recognize a liability for benefits when the benefits currently are due and payable to a Plan member. Therefore, only those amounts in the DROP accounts that are due and payable to the Plan member at the Plan's reporting date should be reported as a liability in the pension plan's statement of fiduciary net position. The beginning net position restricted for pension benefits has been restated/increased by $20,621 to account for the removal of the DROP liability as of October 1, 2013. The total amount in the DROP is disclosed in the notes to the financial statements. The Pension Board serves as the administrative board, which holds title to, supervises, administers and manages the assets of the Plan including the DROP.

The Plan implemented the following GASB Statements during the fiscal year ended September 30, 2014, which did not have a significant impact on the financial statements:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

NOTE 2 – PLAN DESCRIPTION

PLAN DESCRIPTION

The Retirement Plan was established by a Town Ordinance approved by the Commissioners and effective January 1, 1962. The Plan is subject to certain provisions of Chapter 112, Florida Statutes. The benefit provisions, amendments thereto, and all other requirements are established by Town Ordinance. Participants should refer to the Plan document for more complete information.

The Retirement Plan is a contributory defined benefit single-employer retirement plan covering substantially all employees of the Town of Surfside. All full-time employees become members of the Plan immediately upon employment. During 2011, the Town passed Ordinance 11-1580, which grants the right to Charter Officers to opt out of the Plan at any time. The administration of the Plan is under the responsibility of a five-member Pension Board, which is subject to the ultimate authority of the Town Commission.

The Plan is administered by a Pension Board comprised of:

a. Two Town Commissioners
b. One police officer elected by a majority of police officers
c. A general employee elected by his fellow general employees
d. The Town Manager (a permanent member of the Board)

Membership consisted of the following as of September 30, 2014:

Inactive plan members and beneficiaries currently receiving benefits	37
Inactive plan members entitled but not yet receiving benefits	6
Active plan members	84
Total members	127

CONTRIBUTIONS AND FUNDING POLICY

Funding of the Plan is provided by contributions from the Town and the employees. The Town's funding policy provides for annual actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. With the exception of one general employee who still contributes 5%, employees are currently required to contribute 6% of their covered compensation; police officers are currently required to contribute 8%.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

BENEFITS PROVIDED

The Plan provides normal retirement, early retirement, delayed retirement, disability retirement, death benefits and termination benefits. The Plan considers creditable service and average final compensation as part of the benefit calculation.

Creditable Service
All service of a Plan member measured in years and completed months since latest date of hire with the Town.

Average Final Compensation (AFC)
The average of basic compensation during the highest three years (five years for general employees) of the ten years preceding termination of employment; does not include bonuses, overtime, lump sum payments of unused leave or other nonregular payments.

Normal Retirement
Eligibility – For sworn police officers, the earliest of (1) age 52 with 20 years of creditable service, (2) age 62 with 5 years of creditable service, (3) completion of 25 years of creditable service or (4) the completion of 15 years and 4 months of service if hired on a full time basis in March 2003. For the Town Manager, age 64 with 7 years of creditable service. For all other employees, the earlier of (1) age 62 with 15 years of creditable service or (2) age 65 with 10 years of creditable service.

	Benefit Accrual Rate per Year of Service Based on Employee Contribution Rate of			
Period of Service	5%	6%	7%	8%
Before 10/1/1979	1 2/3%	N/A	N/A	N/A
10/1/1979 - 6/30/1996	1 2/3%	N/A	2%	N/A
7/1/1996 - 1/31/2003	1 2/3%	N/A	2%	2.5%
2/1/2003 - 9/30/2005	2%	2.5%	N/A	N/A
10/1/2005 - 9/30/2006	2%	2.5%	N/A	3%*
After 10/1/2006	2%	2.5%	N/A	3.5%*

Maximum benefit is 90% (75% prior to October 1, 2006) of AFC (60% of AFC for general employees).

*For police officers only.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

BENEFITS PROVIDED (CONTINUED)

Early Retirement
Eligibility – The earlier of (a) age 55 with creditable service regardless of age.

Benefit – 15 years of creditable service, or (b) 20 years of creditable service as normal retirement benefit using AFC and creditable service as of early retirement date but payable at normal retirement date assuming continued employment. Alternatively, benefits may commence immediately after reduction of 0.5% for each month early.

Delayed Retirement
Eligibility – Retirement after normal retirement date.

Benefit – Calculated in the same manner as normal retirement benefit using AFC and creditable service as of delayed retirement date.

Disability Retirement
1. Service Connected:
    a) Eligibility – Total and permanent disability incurred prior to normal retirement date as a direct result of performance of service to the Town and eligible for Social Security disability benefits.
    b) Benefit – 75% (if injury) or 45% (if disease) of the rate of pay in effect on date of disability payable for life or until recovery. For general employees, less social security disability benefits; there is an offset for workers' compensation to the extent that the disability benefit plus the workers' compensation benefit exceed 100% of preretirement salary.

2. Non-Service Connected:
    a) Eligibility – Total and permanent disability not incurred as a direct result of performance of service to the Town.
    b) Benefit – Accrued pension benefit.

Death Benefit
1. Pre-Retirement – Refund of accumulated contributions
2. After normal retirement date but before actual retirement – Survivor benefit payable in accordance with optional form of benefit chosen by member.
3. After Retirement – Refund of any remaining accumulated contributions or optional survivor's benefits if elected.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

BENEFITS PROVIDED (CONTINUED)

Termination Benefit

Upon termination prior to normal or early retirement date a member shall be entitled to choose (1) or (2) below, where:

1. A refund of accumulated contributions.
2. The benefit as for normal retirement using AFC and creditable service as of date of termination multiplied by the applicable percentage ,commencing upon the earliest date a member would have attained normal retirement had the member remained in service (age 65 for general employees).

Cost-of-Living Adjustment

Beginning January 1, 2004 and each January 1 thereafter, a 1.5% automatic annual cost of living increase is provided for all current and future retirees, disableds, beneficiaries and vested terminated members.

INVESTMENT POLICY

The following was the Board's adopted asset allocation policy target allocation during the fiscal year ended September 30, 2014:

Asset Class	Target Allocation
Domestic Equity	52%
International Equity	10
Fixed Income	25
Real Estate	10
Cash	3
Total	100%

Rate of Return

For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.80 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the dollar-weighted rate of return calculation are determined on a monthly basis.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

DEFERRED RETIREMENT OPTION PROGRAM

Police Officers

The Town maintains a Deferred Retirement Option Program (DROP) initially for police officers and dispatchers only. The eligibility requirement is attainment of normal retirement date. The maximum period of participation in the DROP is five years. A police officer's account shall be credited with interest based upon the actual fund investment return. No payments may be made from the DROP until the employee actually separates from service with the Town. One (1) police officer is currently participating in the DROP program as of September 30, 2014.

General Employees

Effective August 13, 2013, the Town Commission passed an Ordinance, which amended the Deferred Option Retirement option (DROP) to include all members of the retirement plan who reach the earliest normal retirement age whereby such member shall be eligible to participate in the DROP plan. The maximum period of participation in the DROP is sixty months. Three (3) general employees are currently participating in the DROP as of September 30, 2014.

As of September 30, 2014 and 2013, the combined balance in the DROP account was $100,974 and $20,621, respectively. These amounts are included in the total investment balance presented on the statement of fiduciary net position.

NOTE 3 – INVESTMENTS

The investment activity of the Plan is directed by an investment consultant. All investments made or held by the Plan shall be limited to the following, as per the Plan's investment policy:

1. Cash equivalents.

2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.

NOTE 3 – INVESTMENTS (CONTINUED)

3. Bonds issued by the State of Israel.

   Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state, organized territory of the United States, or District of Columbia provided the corporation is listed on the recognized national stock exchanges or on the National Market System of the NASDAQ stock market.

4. Equity investments (common stock, convertible bonds and preferred stocks) in a corporation listed on one or more of the recognized national exchanges and ETF exchange-traded funds.

5. Commingled equity, bond, real estate, or money market funds.

As of September 30, 2014, the Plan had the following investments and maturities subject to interest rate risk:

Investment Type	Fair Value	Sector Distribution
Short-term investment fund	$ 494,567	9.4%
U.S. Government Securities	680,403	13.0%
U.S. Government Agency Bonds	592,452	11.3%
Mortgage backed securities	296,428	5.7%
Corporate bonds	2,984,564	57.0%
Municipal obligations	190,939	3.6%
Total fair value	$ 5,239,353	

Maturity Distribution		Credit Quality Distribution	
Years	% of Fixed Income Securities	Rating	% of Fixed Income Securities
0-1	2.3%	AAA	1.3%
1-5	56.0%	AA	53.8%
5-10	30.9%	AA	38.6%
10+	10.8%	BBB	1.4%
	100.0%	Not Rated	4.9%
			100.0%

NOTE 3 – INVESTMENTS (CONTINUED)

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 financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts in the name of the Plan.

INTEREST RATE RISK

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. In accordance with its investment policy, the Plan manages its exposure to declines in the fair value of its securities through a conservative approach of managing portfolio exposure to duration, maturity and sector relative to market indices.

CREDIT RISK

State law limits investments in commercial paper to the two top ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Plan's policy to limit its investments in this investment type to the top two ratings issued by NRSROs. As of September 30, 2014, the Investment Policy of the Plan states it is permitted to invest in corporate bonds with an investment quality rating with the top three rating classifications by at least two major rating services (Standard & Poor’s (S&P), Moody's or Fitch) and up to 10% of the bond portfolio may be invested in the 4th rating classification (by two of the noted rating services). The corporate bonds held by the Plan met the rating classifications and ranged from BBB to AAA under S&P and from BAA1 to A1. The mortgage backed securities were rated AA+ and Aaa by S&P and Moody's, respectively. U.S. Government Agency obligations or obligations guaranteed by an agency of the U.S. Government are not subject to credit risk.

CONCENTRATION OF CREDIT RISK

The Plan’s investment policy does not allow for an investment in any one issuer, other than U.S. Government securities, that is in excess of five percent (5%) of the Plan’s total investments. No investment in any one organization represents five percent (5%) or more of the total net position restricted for pension benefits.

NOTE 3 – INVESTMENTS (CONTINUED)

RISKS AND UNCERTAINTIES

The Plan has investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect balances and the amounts reported in the statement of fiduciary net position and the statement of changes in fiduciary net position. The Plan, through its investment consultant, monitors the Plan's investments and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

NOTE 4 – TAX STATUS

The Pension Board believes that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

NOTE 5 – NET PENSION LIABILITY OF THE TOWN

The components of the net pension liability at September 30, 2014:

Total pension liability	$ 17,338,384
Plan fiduciary net position	(16,258,030)
Net pension liability	$ 1,080,354
Plan fiduciary net position as a percentage of the total pension liability	93.77%

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of October 1, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.50%
Investment rate of return	7.50%

NOTE 5 – NET PENSION LIABILITY OF THE TOWN (CONTINUED)

SIGNIFICANT ACTUARIAL ASSUMPTIONS (CONTINUED)

RP 2000 Combined Healthy – Sex Distinct. For disabled participants, the RP 2000 Combined Disabled Mortality Table was used with separate rates for males and females 15 years generational projection from valuation date for actives – 7 years generational projection from valuation date for inactives with Scale AA.

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined based upon the historical average (means returns) which best-estimate ranges of expected future real rates of return. In order to determine the real rates of return, it is necessary to subtract the expected inflation rate from the nominal investment return and investment expenses. The long-term expected rate of return for the Plan was calculated by weighting the expected future rates of return of each asset class by the corresponding target allocation percentages. Best estimates of real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	8.80%
International Equity	2.90%
Fixed Income	4.80%
Real Estate	5.60%
Cash	1.30%

DISCOUNT RATE

A discount rate of 7.50% was used to measure the total pension liability. This discount rate was based on the expected rate of return on Plan investments of 7.50%. The projection of cash flow used to determine this discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability of the Town.

NOTE 5 – NET PENSION LIABILITY OF THE TOWN (CONTINUED)

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability of the Plan sponsor, calculated using the discount rate of 7.50%, as well as what the plan sponsor's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability of the Town	$ 3,451,113	$ 1,080,354	$ (876,671)

REQUIRED SUPPLEMENTARY INFORMATION

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % Covered Payroll (b-a)/c
10/1/2009	$ 11,697,998	$ 11,662,297	$ (35,701)	100.3%	$ 4,059,522	(0.9)%
10/1/2010	12,304,770	12,414,559	109,789	99.1%	4,016,852	2.7%
10/1/2011	12,487,404	13,272,023	784,619	94.1%	4,053,208	19.4%
10/1/2012	12,768,477	14,287,456	1,518,979	89.4%	4,359,957	34.8%
10/1/2013*	14,125,280	15,732,302	1,607,022	89.8%	5,181,920	31.0%
10/1/2013**	14,125,280	15,767,546	1,642,266	89.6%	5,181,920	31.7%
10/1/2014	15,746,681	17,438,415	1,691,734	90.3%	5,098,304	33.2%

*Prior to Plan Amendment.
**After Plan Amendment.

Note: This schedule is required by GASB Statements No. 25 and 27 and will no longer be applicable in fiscal year ended September 30, 2015 once GASB Statement No. 68 is implemented by the Town.

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

	2014
Total Pension Liability	
Service cost	$ 888,988
Interest	1,227,596
Benefit changes	35,244
Difference between actual and expected experience	170,264
Changes of assumptions	--
Benefit payments, including refunds of member contributions	(545,746)
Net Change in Total Pension Liability	1,776,346
Total Pension Liability - Beginning	15,562,038
Total Pension Liability - Ending (a)	$ 17,338,384
Plan Fiduciary Net Position	
Contributions - Town	$ 631,584
Contributions - Members	349,600
Net Investment income	1,396,431
Benefit payments, including refunds of member contributions	(545,746)
Administrative expense	(80,194)
Net Change in Plan Fiduciary Net Position	1,751,675
Plan Fiduciary Net Position - Beginning	14,506,355
Plan Fiduciary Net Position - Ending (b)	$ 16,258,030
Net Pension Liability - Ending (a) - (b)	$ 1,080,354
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.77%
Covered Employee Payroll	$ 5,305,109
Net Pension Liability as a Percentage of Covered-Employee Payroll	20.36%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOWN CONTRIBUTIONS LAST 10 FISCAL YEARS

Fiscal Year End 9/30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2005	$ --	$ 102,410	$ (102,410)	$ 2,857,045	3.58%
2006	203,274	230,812	(27,538)	3,170,278	7.28%
2007	264,370	264,370	--	3,653,048	7.24%
2008	384,905	384,416	489	3,978,291	9.66%
2009	423,747	423,747	--	4,568,544	9.28%
2010	553,919	553,919	--	4,059,522	13.64%
2011	625,963	625,963	--	4,016,852	15.58%
2012	515,440	515,440	--	4,053,208	12.72%
2013	534,209	534,209	--	4,359,957	12.25%
2014	631,584	631,584	--	5,305,109	11.91%

Notes to the schedule
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.

Significant methods and assumptions based on the October 1, 2012 actuarial valuation were used to determine contribution rates for fiscal year end September 30, 2014:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Asset valuation method	5 year smoothed market
Salary increases	4.0% - 13.5%
Inflation	3.5%
Cost of living adjustments	1.5%
Investment rate of return	7.5%

Mortality rates were based on the RP-2000 Generational Mortality Table for healthy Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

	2014
Annual money-weighted rate of return, net of investment expense	9.80%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

SUPPLEMENTARY INFORMATION

RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE

SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2013)

	2014	2013
Administrative Expenses		
Professional Services		
Actuarial	$ 23,048	$ 15,524
Attorney	12,920	12,769
Auditing services	23,500	23,500
Secretarial and other	3,344	2,103
Plan Administrator	12,184	10,890
Total Professional Services	74,996	64,786
Insurance Expense		
Fiduciary liability insurance	5,198	4,492
Total Administrative Expenses	$ 80,194	$ 69,278
Investment Expense		
Investment Manager		
ICC Capital Management	$ 32,538	$ 33,747
Investment Consultant Fees		
Burgess Chambers	22,000	22,000
Custodian Fees		
SunTrust Bank	19,320	16,770
Total Investment Expenses	$ 73,858	$ 72,517

REPORTING SECTION

INDEPENDENT AUDITORS' 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*

To the Pension Board
Retirement Plan for Employees of the Town of Surfside
Town of Surfside, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Retirement Plan for Employees of the Town of Surfside (the Plan), as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Marcum LLP ▪ One Southeast Third Avenue ▪ Suite 1100 ▪ Miami, Florida 33131 ▪ Phone 305.995.9600 ▪ Fax 305.995.9601 ▪ www.marcumllp.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Miami, FL
June 19, 2015