

**CITY OF BARTOW  
GENERAL EMPLOYEES' RETIREMENT PLAN**

FINANCIAL STATEMENTS

September 30, 2014 and 2013

**CITY OF BARTOW  
GENERAL EMPLOYEES' RETIREMENT PLAN**

September 30, 2014

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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
City of Bartow General Employees' Retirement Plan  
Bartow, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Bartow, General Employees' Retirement Plan (the Plan) as of September 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

**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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of September 30, 2014 and 2013, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Trustees  
City of Bartow General Employees' Retirement Plan  
Bartow, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**Emphasis of Matters**

As discussed in Note 2 to the financial statements, effective July 1, 2013, the Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*.

Also as discussed in Note 1, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the City of Bartow as of September 30, 2014, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to these two matters.

**Other Matters**

*Required Supplementary Information – Management's Discussion and Analysis*

Management of the Plan has omitted a 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. A management's discussion and analysis, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not affected by this omission.

*Required Supplementary Information – Other*

Accounting principles generally accepted in the United States of America require that the information listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such 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 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

*Purvis, Gray and Company, LLP*

April 24, 2015  
Sarasota, Florida

**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
**STATEMENTS OF PLAN NET POSITION**  
as of September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Receivables		
Accrued income	\$ 54,170	\$ 53,909
Total receivables	<u>54,170</u>	<u>53,909</u>
Prepaid expenses	<u>3,875</u>	<u>3,875</u>
Investments, at fair value:		
Cash and short-term money market funds	405,026	1,331,535
Fixed income investments	5,825,135	4,849,650
Real estate investment fund	2,344,477	1,614,318
Equity investments	<u>12,237,787</u>	<u>10,971,400</u>
Total Investments	<u>20,812,425</u>	<u>18,766,903</u>
Total assets	<u>20,870,470</u>	<u>18,824,687</u>
<b>NET POSITION</b>		
Allocated for deferred retirement obligations	912,189	870,319
Unallocated	<u>19,958,281</u>	<u>17,954,368</u>
<b>NET POSITION, restricted for pension benefits</b>	<u>\$ 20,870,470</u>	<u>\$ 18,824,687</u>

See accompanying notes to financial statements

**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
**STATEMENTS OF CHANGES IN PLAN NET POSITION**  
for the years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ADDITIONS</b>		
Contributions:		
City	\$ 1,278,269	\$ 1,312,348
Plan member buy-back contributions	6,598	311,666
Plan members	<u>293,856</u>	<u>303,817</u>
Total contributions	<u>1,578,723</u>	<u>1,927,831</u>
Investment income:		
Interest and dividends	593,934	437,304
Realized and unrealized gains	<u>990,566</u>	<u>1,744,158</u>
Investment income, net	<u>1,584,500</u>	<u>2,181,462</u>
Less investment related expenses:		
Investment management fees	87,909	73,703
Custodial fees	17,010	9,270
Investment monitoring fees	<u>15,500</u>	<u>15,500</u>
Total investment related expenses	<u>120,419</u>	<u>98,473</u>
Net investment income	<u>1,464,081</u>	<u>2,082,989</u>
Total additions	<u>3,042,804</u>	<u>4,010,820</u>
<b>DEDUCTIONS</b>		
Payments to members	<u>973,494</u>	<u>842,713</u>
Administrative expenses:		
Actuarial	12,644	14,013
Accounting	2,241	1,795
Audit	4,860	5,400
Legal	<u>3,782</u>	<u>5,416</u>
Total administrative expenses	<u>23,527</u>	<u>26,624</u>
Total deductions	<u>997,021</u>	<u>869,337</u>
<b>NET INCREASE</b>	2,045,783	3,141,483
<b>NET POSITION , beginning of year</b>	<u>18,824,687</u>	<u>15,683,204</u>
<b>NET POSITION , end of year</b>	<u>\$ 20,870,470</u>	<u>\$ 18,824,687</u>

See accompanying notes to financial statements

**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2014

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**NOTE 1 - PLAN DESCRIPTION AND BENEFITS**

The **City of Bartow General Employees' Retirement Plan** (the "Plan") is a single-employer defined benefit pension plan (the "Plan") established by the City of Bartow, Florida, (the "City") for the benefit of its general employees and their beneficiaries. The Plan was established by City ordinance and can be amended or terminated by City ordinance. The Plan is administered by a Board of Trustees consisting of seven Trustees; one of whom shall be a resident of Bartow appointed by the other six Trustees and affirmed by the Bartow City Commission; one of whom shall be the Finance Director of the City of Bartow whose term as Trustee shall be continuous; one of whom shall be elected by the Department Heads of the City of Bartow; two of whom shall be Members of the System who are elected by a majority of the General Employees who are non-bargaining unit Members of the System; and two of whom shall be Members of the System who shall be elected by a majority of the General Employees who are bargaining unit Members of the System. The Plan contains only the assets of the General Employees' Pension Trust Fund which is a component unit of the City of Bartow, Florida because it exists solely to provide benefits to employees of the City. Accordingly, assets of the Plan are included in the City's financial statements and are blended with those of the other pension trust funds of the City.

Participation in the Plan is mandatory for all general employees, defined as any person who is employed full-time by the City other than the City Manager, police officers, and firefighters. Firefighters and police officers are covered under separate defined benefit pension plans. Employees contribute 4% (2% prior to April 7, 2008) of their salary with the City contributing annually such amounts as are necessary to fully fund the actuarially required annual contribution for the Plan. For the years ended September 30, 2014 and 2013, the City's required contribution as a percentage of covered payroll was 18.7% and 16.6%, respectively. All benefits are 100% vested after six years of credited service. Normal retirement is the earlier of age sixty-two with ten years credited service, or attainment of twenty-five years of credited service. Benefits at normal retirement are computed at 2.53% (1.68% prior to April 7, 2008) of the average earnings for the highest five consecutive years of the preceding ten year period times the number of years of credited service. Members who have completed ten years of service are eligible for early retirement at reduced benefits. Disability benefits are available after ten years of credited service.

**Plan Membership** - Participant data as of the dates indicated consisted of:

	<u>10-1-12</u>	<u>10-1-11</u>
Retirees and beneficiaries currently receiving benefits	32	27
Retirees receiving death or disability benefits	5	5
Vested terminated employees	71	65
Drop Plan retirees	18	20
Active employees:		
Vested	137	138
Nonvested	72	72
Total	<u>335</u>	<u>327</u>

**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2014

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS**

**BASIS OF ACCOUNTING** - The Plan's financial statements are prepared using the accrual basis of accounting.

**CONTRIBUTIONS** - It is the employer's policy to fund the annual required contribution. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

**PLAN EXPENSES** - All costs of administering the Plan are paid out of the Plan's funds. Benefit payments, contribution refunds to participants, and administrative expenses are reported as plan expenses when paid.

**METHOD USED TO VALUE INVESTMENTS** - All pension plan investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. All fair values are determined by the third party custodian. Investments in external pools are valued based on the underlying assets in the funds. Equity securities are valued based on the last reported sales price. Bonds are valued either at their last reported sales price, if traded, or by comparing them to prices of similar investments or by computing the net present value of their cash flows discounted at a rate commensurate with the risk involved. Security transactions and any resulting gains or losses are accounted for by the specific identification method on a trade-date basis.

**NET ASSETS ALLOCATED FOR DEFERRED RETIREMENT OBLIGATIONS** - Represents assets allocated to participants who have elected to defer receipt of their retirement benefits pursuant to the DROP or other deferred option allowed by the Plan.

**SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS** - Information as to funding progress and employer contributions is presented as supplementary information accompanying these financial statements.

**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 amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

**EXEMPT TAX STATUS** - The Plan is exempt from federal income taxes under provisions of Section 501(a) of the Internal Revenue Code.

**IMPLEMENTATION OF NEW ACCOUNTING STANDARD** - During the year the Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25." The objective of this Statement is to improve financial reporting by state and local government pension plans.



**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2014

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**NOTE 3 - INVESTMENTS**

The types of investments in which the Plan may invest are governed by City Ordinance which required the Board of Trustees to adopt an investment policy which authorizes investment in the following instruments: federally-insured depositories, direct or guaranteed obligations of the United States; stocks, commingled funds, mutual funds, bonds or other evidences of indebtedness issued by a U.S. Corporation or any state or territory of the United States; structured mortgage products issued by the U.S. Government or government agency; mortgage related or asset backed securities not issued by the U.S. Government, government agency or instrumentally; bonds issued by municipal issuers; real estate and foreign securities. Equity securities must be traded on a national exchange or electronic network. No more than 70%, at market value, of the Plans assets can be invested in equity securities nor more than 5% in any one issuer. Fixed income securities must be investment grade except 20% can be invested in securities not meeting this criteria and must have a minimum total portfolio weighted average credit rating of "A" by Standard and Poors or Moodys and no more than 3% of the fixed income portfolio in any one single corporate issuer. Money market investments must have a minimum rating of A1/P1 or its equivalent by a major credit rating service. Investments made by the Board may include pooled funds. For purposes of this policy pooled funds may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships and private equity. Pooled funds may be governed by separate documents which may include investments not expressly permitted in this Investment Policy Standard. In the event of investment by the Plan into a pooled fund, the prospectus or governing policy of that pooled fund, as updated from time to time, shall be treated as an addendum to this Investment Policy Statement. Foreign securities at market value can not exceed 25% of the total fund value at market value. All equity and fixed income securities must be readily marketable. Commingled funds must be independently appraised at least annually. There were no significant changes in the investment policy during the year. Independent investment consultants are retained by the Board to evaluate and report on the Plan's investment performance.

**Target Asset Allocation** - The following was the Board's adopted asset allocation policy as of September 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	45.00%
International Equity	15.00%
Broad Market Fixed Income	30.00%
Real Estate	10.00%

**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2014

**NOTE 3 - INVESTMENTS** (cont...)

All the Plans investments were held in the Plan's name. Information concerning credit risk and interest rate risk as of September, 30, 2014 and 2013, is presented below:

Investment Type	S&P Rating	Fair Value	Weighted Average Maturity Years
<b>As of September 30, 2014</b>			
Short-term money market	AA+	<u>\$ 405,026</u>	0.00
Fixed Income investments:			
U. S. Government obligations	AA+	\$ 683,075	4.5
U. S. Government mortgage-backed securities	AA+	1,815,436	6.5
Commercial mortgage-backed securities	AAA to BBB-	330,835	2.1
Corporate and foreign bonds	AA+ to BB+	<u>2,995,789</u>	3.9
Total fixed income investments		<u>\$ 5,825,135</u>	
<b>As of September 30, 2013</b>			
Short-term money market	AA+	<u>\$ 1,331,535</u>	0.00
Fixed Income investments:			
U. S. Government obligations	AA+	\$ 407,031	6.8
U. S. Government mortgaged-backed securities	AA+	1,391,963	6.9
Commercial mortgage-backed securities	AAA to BBB+	335,991	2.5
Corporate and foreign bonds	AA+ to BBB-	<u>2,714,665</u>	3.9
Total fixed income investments		<u>\$ 4,849,650</u>	

**Concentrations** - The Plan did not hold investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represented 5% or more of the Plan's fiduciary net position.

**Money-weighted Rate of Return** - For the year ended September 30, 2014, the money-weighted rate of return for the Plan, net of investment expenses and adjusted for the changing amounts actually invested was 7.65%.

**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2014

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**NOTE 4 - DEFERRED RETIREMENT OPTION PROGRAM (DROP)**

The Plan permits its members to elect to receive retirement benefits while still employed and receiving a salary. Members are eligible upon reaching normal retirement. The participant's retirement benefits are credited into an individual member account and paid out to the member upon termination or retirement not to exceed a period of up to 60 months. Amounts credited to the members' DROP accounts earn interest and remain in the pension plans' net position until paid out. Amounts held in DROP accounts as of September 30, 2014 totaled \$912,189.

**NOTE 5 - NET PENSION LIABILITY**

**Net Pension Liability** - The components of the net pension liability for the Plan as of September 30, 2014, were as follows:

Total pension liability	\$ 28,427,689
Plan fiduciary net position	<u>(20,870,470)</u>
Net pension liability	<u>\$ 7,557,219</u>
Covered employee payroll	<u>\$ 6,833,856</u>
Plan fiduciary net position as a percentage of the total pension liability	73.42%

**Actuarial assumptions:**

The total pension liability was determined by an actuarial valuation on the following date and using the following assumptions:

Actuarial valuation date	October 1, 2013
Inflation	3.50%
Projected salary increases	4.75%
Investment rate of return	7.75%
Mortality rates	RP 2000 Combined Healthy
Date of actuarial experience study	2002-2011

**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2014

**NOTE 5 - NET PENSION LIABILITY** (cont...)

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

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	7.50%
International Equity	8.50%
Broad Market Fixed Income	2.50%
Real Estate	4.50%

**Discount Rate** - of 7.75% was used to measure the total pension liability of the Plan as of September 30, 2014. 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 City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plans' 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 Plan, calculated using the discount rate of 7.75%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	Discount Rate		
	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
City's Net Pension Liability	\$ 10,972,835	\$ 7,557,219	\$ 4,819,794

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
 REQUIRED SUPPLEMENTARY INFORMATION (unaudited)  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 September 30, 2014

**Net Pension Liability** - The components of the net pension liability for the Plan as of September 30, 2014, were as follows:

	<u>For the year ended September 30, 2014</u>
Total pension liability	
Service cost	\$ 613,352
Interest	2,079,693
Benefit payments and refunds	<u>(973,494)</u>
Net change in total pension liability	<u>1,719,551</u>
Total pension liability, beginning	<u>26,708,138</u>
Total pension liability, ending	<u>\$ 28,427,689</u>
Plan fiduciary net position	
Contributions - employer	1,278,269
Contributions - employee	300,454
Net investment income	1,464,081
Benefit payments and refunds	(973,494)
Administrative expenses	<u>(23,527)</u>
Net change in plan fiduciary net position	<u>2,045,783</u>
Plan fiduciary net position, beginning	<u>18,824,687</u>
Plan fiduciary net position, ending	<u>\$ 20,870,470</u>
Net pension liability	<u>\$ 7,557,219</u>
Plan fiduciary net position as a percentage of the total pension liability	73.42%
Covered employee payroll	\$ 6,833,856
Net pension liability as a percentage of covered employee payroll	110.58%

**Notes to Schedule:**

- There have been no changes in benefits
- There have been no changes in assumptions

Additional years will be added to this schedule annually until 10 years' data is presented.

**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (unaudited)**  
**SCHEDULE OF CONTRIBUTIONS**  
September 30, 2014

The following information presents a schedule of contributions:

Year Ended September 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 1,499,813	\$ 1,278,269	\$ (221,544)	\$ 6,833,856	18.70%
2013	\$ 1,321,438	\$ 1,312,348	\$ (9,090)	\$ 7,898,363	16.62%
2012	\$ 1,082,465	\$ 1,082,462	\$ (3)	\$ 7,908,964	13.69%
2011	\$ 1,009,210	\$ 1,009,129	\$ (81)	\$ 7,934,051	12.72%
2010	\$ 1,012,521	\$ 889,544	\$ (122,977)	\$ 8,316,296	10.70%
2009	\$ 888,780	\$ 814,128	\$ (74,652)	\$ 8,292,702	9.82%
2008	\$ 517,662	\$ 517,662	\$ -	\$ 8,519,905	6.08%
2007	\$ 649,717	\$ 651,066	\$ 1,349	\$ 8,719,483	7.47%
2006	\$ 739,997	\$ 748,711	\$ 8,714	\$ 8,466,490	8.84%
2005	\$ 677,869	\$ 719,618	\$ 41,749	\$ 8,670,022	8.30%

**Notes to Schedule of Contributions:**

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.

Valuation date - for the September 30, 2014 contributions, the valuation date was as of October 1, 2012.

Actuarial cost method - the entry age method is used.

Amortization method - level percentage of pay, closed.

Remaining amortization period - 25 years as of October 1, 2012.

Asset valuation method - historical geometric four year average market value (net of fees).

Inflation - 3.5%

Salary increases - 4.75%

Investment rate of return - 7.75%

Payroll growth - up to 4% annually

Retirement age - earlier of age 62 with 10 years of service or 25 years of credited service regardless of age.

Mortality - RP-2000 Combined Healthy projected to valuation date with scale AA.

**CITY OF BARTOW GENERAL EMPLOYEES' RETIREMENT PLAN**  
REQUIRED SUPPLEMENTARY INFORMATION (unaudited)  
SCHEDULE OF INVESTMENT RETURNS  
September 30, 2014

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**Average Money-Weighted Rate of Return, Net of Investment Expenses:**

For the year ended September 30:

2014

7.65%

Additional years will be added to this table until ten years' data is presented.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
City of Bartow General Employees' Retirement Plan  
Bartow, 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 City of Bartow General Employees' Retirement Plan (the Plan) which comprise the statement of plan net position as of September 30, 2014 and 2013, and the related statement of changes in plan net position for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified one deficiency in internal control that we consider to be a material weakness:

■ **2014.1—Salem Trust Company - Adverse Opinion on Internal Control**

On February 2, 2015, the auditors for USF Affiliate Services, Inc., an entity, which includes Salem Trust Company (STC), issued an adverse opinion on STC's internal controls for the year ended June 30, 2014. STC is the custodian of substantially all of the Plan's investments. In their report, the auditors concluded that many of STC's internal controls, designed to ensure that STC's clients' investment transactions were processed accurately and timely, were not operating effectively during that period. The auditors noted that numerous errors had incurred in the processing of client transactions. Complementary user controls that may have detected these errors were not in place at the Plan. Specifically, there was no documentation that the Plan's investment statements were being monitored for these types of errors. We recommend that Plan management perform a review of its pension investment transactions during the year, to determine if any errors existed requiring further resolution.

**Certified Public Accountants**

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Bartow, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**  
*(Concluded)*

**Internal Control over Financial Reporting** *(Concluded)*

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. We consider the deficiency described above to be a material weakness.

**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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Purvis, Gray and Company, LLP*

April 24, 2015  
Sarasota, Florida