

**BOYNTON BEACH  
POLICE OFFICERS' PENSION FUND**

FINANCIAL STATEMENTS  
September 30, 2016 and 2015

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

**BOYNTON BEACH  
POLICE OFFICERS' PENSION FUND**

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Boynton Beach Police Officers'  
Pension Fund  
Boynton Beach, Florida

**INDEPENDENT AUDITOR'S REPORT**

**Report on Financial Statements**

We have audited the accompanying financial statements of the Boynton Beach Police Officers' Pension Fund (Plan), which comprise the statements of fiduciary net position as of September 30, 2016 and 2015, 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  
Boynton Beach Police Officers'  
Pension Fund  
Boynton Beach, Florida

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Boynton Beach Police Officers' Pension Fund as of September 30, 2016 and 2015, and the changes in fiduciary net position for the years then 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 29 through 31 of the Boynton Beach Police Officers' Pension 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 32 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, Jamison & Cristine, P.L.*

January 2, 2017

**BOYNTON BEACH  
POLICE OFFICERS' PENSION FUND**

STATEMENTS OF FIDUCIARY NET POSITION  
September 30, 2016 and 2015

**Assets**

	<u>2016</u>	<u>2015</u>
<b>Cash</b>	\$ 2,494	\$ 8,692
<b>Receivables:</b>		
DROP loans	298,294	299,439
Broker-dealers	429,498	395,310
	<u>727,792</u>	<u>694,749</u>
<b>Total receivables</b>		
	727,792	694,749
<b>Investments at fair value:</b>		
Multi manager bond investment fund	23,733,809	21,709,238
Multi asset core investment fund	33,038,093	29,668,247
Large capital defensive equity investment fund	22,077,962	20,005,118
Real estate investment fund	6,759,760	6,259,818
	<u>85,609,624</u>	<u>77,642,421</u>
<b>Total investments</b>		
	85,609,624	77,642,421
<b>Prepaid expenses</b>	<u>9,085</u>	<u>8,650</u>
	9,085	8,650
<b>Total assets</b>	<u>86,348,995</u>	<u>78,354,512</u>

**Liabilities**

Accounts payable	<u>146,905</u>	<u>144,804</u>
	146,905	144,804
<b>Total liabilities</b>	<u>146,905</u>	<u>144,804</u>
	146,905	144,804
<b>Net position restricted for pensions</b>	<u>\$ 86,202,090</u>	<u>\$ 78,209,708</u>

See Notes to Financial Statements.

**BOYNTON BEACH  
POLICE OFFICERS' PENSION FUND**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
Years ended September 30, 2016 and 2015

<b>Additions:</b>	<u>2016</u>	<u>2015</u>
Contributions:		
Employer	\$ 4,391,305	\$ 4,365,259
Plan members	902,350	924,289
Plan members, buy-back	25,803	116,586
Rollover to DROP	<u>109,362</u>	<u>78,814</u>
Total contributions	5,428,820	5,484,948
Intergovernmental revenue:		
Chapter 185 state excise tax rebate	<u>735,945</u>	<u>675,227</u>
Total intergovernmental revenue	735,945	675,227
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	8,822,097	1,996,098
Interest	8,032	8,238
Other	<u>900</u>	<u>1,926</u>
Total investment income	8,831,029	2,006,262
Less investment expenses	<u>576,576</u>	<u>577,798</u>
Net investment income (loss)	<u>8,254,453</u>	<u>1,428,464</u>
Total additions	14,419,218	7,588,639
<b>Deductions:</b>		
Benefits:		
Age and service	4,494,629	4,547,456
Disability	304,944	324,876
Beneficiaries	33,240	40,009
Drop payments	1,336,286	526,372
Refunds	93,339	69,179
Administrative expenses	<u>164,398</u>	<u>153,104</u>
Total deductions	<u>6,426,836</u>	<u>5,660,996</u>
Net increase in net position	7,992,382	1,927,643
Net position restricted for pensions:		
Beginning of year	<u>78,209,708</u>	<u>76,282,065</u>
End of year	<u>\$ 86,202,090</u>	<u>\$ 78,209,708</u>

See Notes to Financial Statements.

# BOYNTON BEACH POLICE OFFICERS' PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

### 1. Description of the Plan

The following brief description of the Boynton Beach Police Officers' Pension Plan (Plan) is provided for general information purposes only. Participants should refer to the Plan Agreement for more complete information.

General - The Plan was created in 1981 by Section 18 of an Ordinance adopted by the City of Boynton Beach, Florida. This Ordinance was substantively amended in 2001, 2002, 2006 and 2009.

The Plan is a defined benefit pension plan covering all full-time police officers of the City of Boynton Beach, Florida (City). Participation in the Plan is required as a condition of employment. The Plan provides for pension, death and disability benefits. In addition, the Plan is a local law plan subject to provisions of Chapter 185 of the State of Florida Statutes.

The Plan, in accordance with the above statutes, is governed by a five member pension board. Two police officers, 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 establishes benefit levels while the board establishes the actuarial methods followed by the Plan.

During the fiscal year ended September 30, 2016 the Plan's membership consisted of:

Retirees and beneficiaries:

Currently receiving benefits	116
Drop Retirees	36
Terminated employees entitled to benefits but not yet receiving them	<u>7</u>
Total	<u><u>159</u></u>

Current employees:

Vested	83
Nonvested	<u>56</u>
Total	<u><u>139</u></u>

At September 30, 2015, the date of the most recent actuarial valuation, there were 116 retirees and beneficiaries receiving benefits.

# BOYNTON BEACH POLICE OFFICERS' PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

### 1. Description of Plan (Continued)

Pension Benefits - The pension plan provides retirement, death and disability benefits for its participants. A participant may retire with normal benefits after reaching age 55 and accumulating 10 or more years of credited service, at 20 years of service without regard to age, or at age 50 with 15 years of credited service. Normal retirement benefits are based on 3.5% of the participant's final average salary times the number of his or her credited years of service. The final average salary for purposes of calculating benefits is the participant's average salary during the five highest years of the last ten years of creditable service prior to retirement.

A participant with 10 or more years of credited service is eligible for deferred retirement. These benefits begin upon application on or after reaching age 55 and are computed the same as normal retirement, based upon the participant's final average salary and credited service at the date of termination. Benefits are reduced 1.5% per year for each year by which the participant's age at retirement preceded the participant's normal retirement age.

Monthly Supplemental Retirement Benefit - Effective October 1, 2006, any retiree or beneficiary receiving pension benefits is entitled to a monthly supplemental pension benefit. The benefit pool will be funded by 100% of the annual earnings and 10% of the principal created by the contributions received.

The benefit pool shall be divided according to the total number of years of service rendered by all retirees, with a cap of 40 years. The shares will be divided on a pro-rata basis as defined in the ordinances.

The supplemental benefits was to be funded by a 1% contribution from the Members and a 1% contribution by the City. Effective with the Chapter 185 monies received for calendar year 2001, the excess Chapter 185 dollars will be allocated to fund the City's contributions until the Chapter 185 dollars are received for calendar year 2005 or, if earlier, until the entire 1% of the City contributions are covered by the increase in the Chapter 185 monies. Employees will contribute to this benefit through 20 years of service.

The actuarial value of the monthly supplemental benefit reserve at September 30, 2016 was approximately \$2,120,073.



# BOYNTON BEACH POLICE OFFICERS' PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

### 1. Description of Plan (Continued)

Deferred Retirement Option Plan - Any Plan participant who is eligible to receive a normal retirement pension may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a police officer. Upon participation in the DROP, the participant becomes a retiree for all Plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. The Plan provides for a participant to elect a partial lump sum withdrawal. Participation in the DROP ceases for a Plan participant after the earlier of 5 years or the attainment of 30 years of service.

An employee's account in the DROP program shall earn interest in one of two ways. The selection of the earnings program shall be irrevocable and shall be made prior to the first deposit into the DROP account. The options are summarized as follows:

- A. Gain or loss interest at the same rate as the Plan; or,
- B. At an annual fixed rate of seven percent (7%); or,
- C. A combination of both A and B.

Participants, (after separation from service) may borrow from their DROP accounts a minimum of \$5,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their DROP account balance. The loans are secured by the balance in the members' DROP account and bear interest at the lowest bank rate at the issue date for the loan. Principal and interest is paid ratably through monthly payments.

Disability Benefits - Disability benefits for service related disabilities are paid to a participant for life. Benefits are calculated as 66 2/3% of the participant's salary at the time of disability. This amount is reduced by any social security and workers' compensation benefits received and will not be less than 42% of the participant's average final salary.

Disability benefits for non-service related disabilities are paid to a participant for life. Benefits are calculated at a minimum of 25% of the participant's final average salary.

Death Benefits - Preretirement death benefits for participants with at least 10 years of service are payable until the death of the spouse. The spouse will receive the accrued normal retirement benefit taking into account compensation earned and service credited as of the date of death with a minimum benefit equal to 30% of average final compensation. Beneficiaries of participants who die prior to vesting will receive a refund of the participants accumulated contributions.

# BOYNTON BEACH POLICE OFFICERS' PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

### 1. Description of Plan (Continued)

Post retirement death benefits are payable to the participant's eligible widow depending on the survivor's benefit selected.

Refund of Participant Contributions - A participant who terminates employment and is ineligible for pension benefits is refunded his or her contribution without interest.

### 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 the assets and related income necessary to provide the service, disability and death benefits required under the terms of the Plan Ordinance and the amendments thereto.

Valuation of Investments - Investments in investment funds 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 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. Purchases and sales of investments are recorded on a trade date basis.

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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

Investment income is recognized on the accrual basis as earned. Unrealized appreciation in fair value of investments includes the difference 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 Changes in Plan Net Position.

Custody of Assets - Custodial and investment services are provided to the Plan under contract with the Russell Trust Company. The Plan's investment policies are governed by Florida State Statutes and ordinances of the City of Boynton Beach, Florida.

Authorized Plan Investments - The Board recognizes that the obligations of the Plan are long-term and that its investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the prudent investor rule and Chapter 185 of the Florida Statutes.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, high capitalization common or preferred stocks, pooled equity funds, high quality bonds or notes, foreign securities and fixed income funds. In addition, the Board requires that Plan assets be invested with no more than 65% in stocks and convertible securities measured at cost at the end of each reporting period. Further information regarding the permissible investments from the Plan can be found in the Statement of Investment Policies.

Actuarial Cost Method - The Plan's actuarial cost method is the Entry Age Normal Method for funding purposes. This method allocates the actuarial present value of each participant's projected benefit on a level basis over the participant's earnings from the date of entry into the Plan through the date of retirement.

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 Boynton Beach, Florida.

The Plan is included in the City's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2016 and 2015, 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 Police Officers. The provisions of the Plan provide for retirement, disability, and survivor benefits.

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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

Funding Policy - Participants are required to contribute 7.0% of their annual earnings to the Plan. Prior to 1986, contributions to the Plan were made on an after-tax basis. Subsequent to this date, contributions are made on a pre-tax basis pursuant to an amendment to the Plan. These contributions are designated as employee contributions under Section 414(h)(2) of the Internal Revenue Code. Contribution requirements of the Plan's participants are established and may be amended by the City of Boynton Beach, Florida.

A rehired member may buy back one or more years of continuous past service by paying into the Plan the amount of contributions that the participant would otherwise have paid for such continuous past service, plus the interest that would have been earned had such funds been invested by the Plan during that time.

The City's funding policy is to make actuarially computed monthly contributions to the Plan in amounts, such that when combined with participants' contributions and the State insurance excise tax rebate, all participants' benefits will be fully provided for by the time that they retire.

The City's actuarially determined contribution rate for the years ended September 30, 2016 and 2015 was 38.21% and 37.71% , respectively. This rate consists of 19.88% and 18.87% of member salaries to pay normal costs plus 18.33% and 18.84% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2015 actuarial valuation.

Administrative Costs - All administrative costs of the Plan are financed through employee and City contributions.

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.

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

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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

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.

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 that the financial statements were available to be issued.

Restatement - Certain figures in the financial statements for the fiscal year ended September 30, 2015 have been restated to conform to the presentation used in the financial statements for the fiscal year ended September 30, 2016.

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 Boynton Beach Police Officers' Pension Plan (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.

GASB statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *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. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 3. Deposits and Investments

##### Deposits

At year end September 30, 2016 the carrying amount of the Plan's deposits was \$2,494 and the bank balance was \$2,494. The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Security for Public Deposits Act. Provisions of the Act require that public deposits may only be held at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

Russell Trust Company (Russell) 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 or investments.

##### Investments

Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended alternative investment funds.

The Plan's investments other than cash held by its administrative manager, are segregated into a separate account and managed under a separate investment agreement with Russell Investment group. This agreement gives Russell custodianship and the authority to manage the investments.

These assets are invested in accordance with the specific investment guidelines as set forth in the Plan's Investment Policy Statement. Investment management fees are calculated quarterly as a percentage of the fair market value of the Plan's assets managed.

The Plan's investments are uninsured and unregistered and are held in custodians' or the Bank's accounts in the Plan's name. Multi Asset Core Fund, Multi Manager Bond Fund, Large Capital Defensive Equity Fund, and Real Estate Investment Fund are privately placed funds, which operates as alternative investments which offer their shares at the net asset value (NAV) of the funds.

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 3. Deposits and Investments (Continued)

The alternative investment funds invest in equity, fixed, international and real estate investments. The investments in the underlying funds are generally valued at fair value as determined by the management of the fund by reference to the value of the underlying fund's assets, if available, or by the valuation of a fund's underlying assets as provided by the general partner or investment manager, if the assets are not publicly traded. The fund may also hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair value of underlying funds, there are inherent limitations in any estimation technique. Accordingly the fair value of alternative investment funds have been estimated by the Plan's management in the absence of readily ascertainable market values. Therefore, the values of such funds are not necessarily indicative of the amount that could be realized in a current transaction. The fair values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the difference 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 fund 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 alternative investments are valued using the net asset value (NAV) provided by the investment managers of these funds. The NAV is based on the value of the underlying assets owned by the fund 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 which are traded on an active market.

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 value that would have been used had a ready market for the underlying funds existed, and the differences could be material. Future confirming events will also effect the estimates of fair value and the effect of such events on the estimated fair value could be material.

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 3. Deposits and Investments (Continued)

##### Investments (Continued)

The Plan had no investments that individually represented 5% or more of the Plan's net assets available for benefits as of September 30, 2016.

Further, 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.

The Plan held the following fixed income investments as of September 30, 2016:

2016			
Investment Type	Fair Value	<u>Rating</u>	
		Standard & Poor's	Effective Duration (Years)
Multi manager bond investment fund	\$ 23,733,809	AA	6.3
Total	<u>\$ 23,733,809</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 risk. Through its investment policies the Plan manages its exposure to fair value losses arising from increasing interest rates. The Plan limits the effective duration of its investment portfolio through the adoption of nationally accepted risk measure bench marks.

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 investment to a quality rating of 'A' or equivalent as rated by one ore more recognized bond rating service at the time of purchase. The Plan's fixed income portfolio may not include more than 10% of its investments in securities having a quality rating of Baa.



## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 3. Deposits and 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 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. The investments in mutual funds and investment partnerships are considered *unclassified* pursuant to the custodial credit risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book-entry form.

Investing 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 changes in fiduciary net position. 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 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.

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 3. Deposits and Investments (Continued)

Investment Asset Allocation - The Plan's adopted asset allocation policy as of September 30, 2016 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Global equity	30%
Domestic equity	25
Bonds	32
Private real estate	5
REITS	2
MLP's	2
Commodities	2
Cash	<u>2</u>
Total	<u>100%</u>

Rate of Return - For the year ended September 30, 2016 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.72 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

# BOYNTON BEACH POLICE OFFICERS' PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

### 4. Net Increase (Decrease) in Realized and Unrealized Appreciation (Depreciation) of Investments

The Plan's investments appreciated (depreciated) in value during the years ended September 30, 2016 and 2015 as follows::

	2016		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:			
Multi manager bond investment fund	\$ 751,088	\$ 1,131,169	\$ 1,882,257
Multi asset core investment fund	573,509	3,035,715	3,609,224
Large capital defensive equity investment fund	423,369	2,407,305	2,830,674
Real estate equity investment fund	-	499,942	499,942
Net increase (decrease) in realized and unrealized appreciation (depreciation) of investments	<u>\$ 1,747,966</u>	<u>\$ 7,074,131</u>	<u>\$ 8,822,097</u>
2015			
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:			
Multi manager bond investment fund	\$ 745,196	\$ (54,069)	\$ 691,127
Multi asset core investment fund	604,269	(597,727)	6,542
Large capital defensive equity investment fund	402,735	217,232	619,967
Real estate equity investment fund	-	678,462	678,462
Net increase (decrease) in realized and unrealized appreciation (depreciation) of investments	<u>\$ 1,752,200</u>	<u>\$ 243,898</u>	<u>\$ 1,996,098</u>

# BOYNTON BEACH POLICE OFFICERS' PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

### 4. Net Increase (Decrease) in Realized and Unrealized Appreciation (Depreciation) of Investments (Continued)

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 2016 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

### 5. Investments

The Plan's investments at both market value and cost or adjusted cost as of September 30, 2016 and 2015 are summarized as follows:

Investment	2016		2015	
	Cost	Market Value	Cost	Market Value
Multi manager bond investment fund	\$ 17,816,223	\$ 23,733,809	\$ 16,922,821	\$ 21,709,238
Multi asset core investment fund	23,979,646	33,038,093	23,645,515	29,668,247
Large capital defensive equity investment fund	16,609,924	22,077,962	16,944,384	20,005,118
Real estate equity investment fund	4,850,000	6,759,760	4,850,000	6,259,818
Total investments	<u>\$ 63,255,793</u>	<u>\$ 85,609,624</u>	<u>\$ 62,362,720</u>	<u>\$ 77,642,421</u>

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 6. Designations

A portion of the plan's net assets are designated for benefits that accrue in relation to the DROP account as further described in Note 1. Allocations to the DROP plan account for the year ended September 30, 2016 are presented below as determined in the Plan's most recent accounting and valuation available for the fiscal year ended September 30, 2016:

	<u>2016</u>
Designated for DROP accounts (fully funded)	\$ 10,494,311
Designated for the supplemental pension distribution reserve	<u>2,120,073</u>
Total designated net position	12,614,384
Undesignated net position	<u>73,587,706</u>
Total plan net position	<u><u>\$ 86,202,090</u></u>

#### 7. Plan Assumption Changes

The actuarial assumptions which were implemented beginning October 1, 2013 are summarized as follows:

- . The mortality table, which was updated two years ago to the RP-2000 Combined Healthy Participant Mortality Tables for males and females, including projections for future improvements in mortality rates, continues to be phased in this year.
- . The assumed withdrawal rates, which were updated two years ago (please see the actuarial assumptions and methods section), continue to be phased in this year.

These revisions are being phased in over a five-year period, beginning with the October 1, 2011 actuarial valuation. In this year's actuarial valuation, 60% of the revised rates and 40% of the prior rates are used. In the previous year's actuarial valuation 40% of the revised rates and 60% of the prior rates were used. This change caused an increase in the contribution of 1.23% covered payroll.

## **BOYNTON BEACH POLICE OFFICERS' PENSION FUND**

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2016 and 2015

#### **8. Plan Termination**

Although it has not expressed an intention to do so, the City may terminate the Plan at any time by a written ordinance of the City Commission of Boynton Beach, 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 police officer in the Plan at such termination date would be non-forfeitable.

#### **9. 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, 2016 aggregate contributions from active members of the Plan were approximately \$8,720,000. The portion of these contributions which are refundable to participants who may terminate with less than five years of service has not been determined.

#### **10. Risk and Uncertainties**

The Plan invests in a variety of investment funds. 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.

#### **11. DROP Loans**

During the fiscal year ended September 30, 2016, certain DROP participants borrowed from their respective DROP accounts. These loans require repayment in sixty months at interest rates based on the interest rate published by an established local bank at the time that the loan was issued.

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 11. DROP Loans (Continued)

A schedule of the changes of these loans is summarized as follows:

	Balance 9/30/15	Additions	Repayments	Balance 9/30/16
DROP Loans Receivable	<u>\$ 299,439</u>	<u>\$ 155,000</u>	<u>\$ 156,145</u>	<u>\$ 298,294</u>

Future minimum annual principal payments on these loans are as follows:

<u>September 30</u>	
2017	\$ 83,226
2018	80,630
2019	66,090
2020	46,988
2021	<u>21,360</u>
Total	\$ <u>298,294</u>

Loan interest income for the year ended September 30, 2016 was \$10,900.

#### 12. Rent Expense

The Fund and Boynton Beach Firefighters' Pension Fund are obligated under a joint rental operating lease for office space, which expires on July 31, 2016. The base rent of the lease is \$981 per month plus applicable sales taxes and is prorated 50/50 for each plan, respectively.

A new rental operating license (lease) for office space began on August 1, 2016 and is \$500 per month on a month-to-month basis. During the years ended September 30, 2016 and 2015, rent expense for the Fund under the license (lease) agreements was \$8,774 and \$6,961, respectively.

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 13. Investment Measurement at Fair Value

##### Fair Value Hierarchy

The accounting standards break down the fair value hierarchy into three levels based on how observable the inputs are that make up the valuation. The most observable inputs are classified as Level 1 where the unobservable inputs are classified as Level 3.

**Level 1** inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

As a general rule, any asset that has a daily closing price and is actively traded will be classified as a Level 1 input.

**Level 2** inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

As a general rule, if an asset or liability does not fall into the requirements of a Level 1 or Level 3 input, it would default to Level 2. With Level 2 inputs, there is usually data that can be easily obtained to support the valuation, even though it is not as easily obtained as a Level 1 input would be.

**Level 3** inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party, such as an auditor or an appraisal, to validate the valuation.



## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 13. Investment Measurement at Fair Value (Continued)

##### Fair Value Hierarchy (Continued)

Net asset value (NAV) is a common measurement of fair value for Level 1, Level 2, and Level 3 investments. A fund's NAV is simply its assets less its liabilities, and is often reported as a per share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV also comes in to play for Level 2 and 3 investments. As a matter of convenience (or referred to in accounting literature as a "practical expedient"), a Plan can use the NAV per share for investments in a nongovernmental entity that does not have a readily determined fair value, such as an alternative investment. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund's reported NAV as a matter of convenience.

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following total recurring fair value measurements as of September 30, 2016 and 2015:

- *Mutual funds* - The rationale for inclusion in Level 1 or Level 2 points to the unobservable inputs involved in mutual fund pricing. Mutual funds do not trade using bid and ask, as with ETF's or common stock. Instead, the prices are determined by the net asset value of the underlying investments at the close of business for the next day's open. The underlying assets themselves may include a variety of Level 1 and Level 2 securities and some may be valued using matrix pricing which interpolates the price of a security based on the price of similar securities.
- *Fixed income funds* - Valued using pricing models maximizing the use of observable input for similar securities. This includes basing value on yield currently available on comparable securities of issues with similar credit ratings.
- *Equity funds* - Valued at market prices for similar assets in active markets.

# BOYNTON BEACH POLICE OFFICERS' PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

### 13. Investment Measurement at Fair Value (Continued)

#### Fair Value Hierarchy (Continued)

- *Common stock* - Valued at quoted market prices for identical assets in active markets.
- *Debt securities* - Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used by Interactive Data Pricing and Reference Data, LLC to value securities based on the securities' relationship to benchmark quoted prices.

Investments by fair value level	September 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi manager bond investment fund	\$ 23,733,809	\$ -	\$ 23,733,809	\$ -
Multi asset core investment fund	33,038,093	-	33,038,093	-
Large capital defensive equity investment fund	22,077,962	-	22,077,962	-
Real estate investment fund	<u>6,759,760</u>	<u>-</u>	<u>-</u>	<u>6,759,760</u>
Total investments by fair value level	<u>\$ 85,609,624</u>	<u>\$ -</u>	<u>\$ 78,849,864</u>	<u>\$ 6,759,760</u>

# BOYNTON BEACH POLICE OFFICERS' PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

### 13. Investment Measurement at Fair Value (Continued)

#### Fair Value Hierarchy (Continued)

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	September 30, 2015			
Multi manager bond investment fund	\$ 21,709,238	\$ -	\$ 21,709,238	\$ -
Multi asset core investment fund	29,668,247	-	29,668,247	-
Large capital defensive equity investment fund	20,005,118	-	20,005,118	-
Real estate investment fund	<u>6,259,818</u>	<u>-</u>	<u>-</u>	<u>6,259,818</u>
Total investments by fair value level	<u>\$ 77,642,421</u>	<u>\$ -</u>	<u>\$ 71,382,603</u>	<u>\$ 6,259,818</u>

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 14. Plan Amendments

There were no Plan amendments during the fiscal year ended September 30, 2016.

The Plan was amended during the fiscal year ended September 30, 2015 as follows:

Plan was amended to provide clarification that to apply for the disability benefit an employee must be a member of the Plan and to require members who are terminated for medical reasons to apply for disability benefits within 30 day of termination.

#### 15. Net Pension Liability of the City

The components of net position liability of the City of Boynton Beach (City) as of September 30, 2016 were as follows:

Total Pension Liability	\$ 124,555,848
Plan Fiduciary Net Position	<u>86,202,090</u>
City's Net Pension Liability	<u>\$ 38,353,758</u>

Plan Fiduciary Net Position as a percentage of total pension liability	69.21%
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of October 1, 2015 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary increases	5.0% to 6.5% depending on age, including inflation
Investment rate of return	7.75%

## BOYNTON BEACH POLICE OFFICERS' PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

#### 15. 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 in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Investment Asset Allocation</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
30.0%	Global equity	2.24%
25.0	Domestic equity	4.80
32.0	Bonds	2.44
5.0	Private real estate	7.10
2.0	REIT's	11.20
2.0	MLP's	16.90
2.0	Commodities	4.90
2.0	Cash	4.10

Discount Rate - The discount rate of 7.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. The projection of cash flows used to determine this single 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 the total actuarially determined contribution rates and the member rate. Based on these 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 (7.75%) was applied to all period of projected benefit payments to determine the total pension liability.

# BOYNTON BEACH POLICE OFFICERS' PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

### 15. Net Pension Liability of the City (Continued)

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage point higher.

#### Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
City's net pension liability	\$ <u>51,848,015</u>	\$ <u>38,353,758</u>	\$ <u>27,093,633</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

# BOYNTON BEACH POLICE OFFICER' PENSION FUND

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

### Last Three Fiscal Years

	September 30, <u>2016</u>	September 30, <u>2015</u>	September 30, <u>2014</u>
Total pension liability:			
Service cost	\$ 3,047,445	\$ 2,767,701	\$ 2,809,815
Interest	9,076,479	8,679,595	8,234,704
Benefit changes	-	-	-
Differences between actual and expected	1,820,086	(1,776,804)	(129,636)
Assumption changes	(565,994)	617,426	-
Benefit payments,	(6,169,099)	(5,438,713)	(5,477,189)
Refunds	(93,339)	(69,179)	(42,665)
Other (adjustments to reserves)	<u>481,282</u>	<u>395,891</u>	<u>255,655</u>
Net change in total pension liability	7,596,860	5,175,917	5,650,684
Total pension liability - beginning	<u>116,958,988</u>	<u>111,783,071</u>	<u>106,132,387</u>
Total pension liability - ending (a)	<u><u>\$ 124,555,848</u></u>	<u><u>\$ 116,958,988</u></u>	<u><u>\$ 111,783,071</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 4,391,305	\$ 4,365,259	\$ 4,159,736
Contributions - State	735,945	675,227	645,579
Contributions - members	928,153	1,040,875	911,375
Net investment income	8,254,453	1,428,464	7,154,203
Benefit payments	(6,169,099)	(5,438,713)	(5,477,189)
Refunds	(93,339)	(69,179)	(42,665)
Administrative expense	(164,398)	(153,104)	(125,126)
Other (rollovers into DROP)	<u>109,362</u>	<u>78,814</u>	<u>28,186</u>
Net change in plan fiduciary net position	7,992,382	1,927,643	7,254,099
Plan fiduciary net position - beginning	<u>78,209,708</u>	<u>76,282,065</u>	<u>69,027,966</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 86,202,090</u></u>	<u><u>\$ 78,209,708</u></u>	<u><u>\$ 76,282,065</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 38,353,758</u></u>	<u><u>\$ 38,749,280</u></u>	<u><u>\$ 35,501,006</u></u>
Plan fiduciary net position as a percentage of			
total pension liability	69.21%	66.87%	68.24%
Covered employee payroll	\$ 11,279,375	\$ 11,553,613	\$ 11,070,863
Net pension liability as a percentage			
of covered employee payroll	340.03%	335.39%	320.67%



## BOYNTON BEACH POLICE OFFICER' PENSION FUND

### SCHEDULE OF CONTRIBUTIONS

#### Last Three Fiscal Years

<u>Fiscal Year Ended September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contributions as a Percentage of Covered Payroll</u>
2014	\$ 4,560,918	\$ 4,624,823	\$ (63,905)	\$ 11,070,863	41.77 %
2015	4,830,346	4,830,346	-	12,919,713	37.39 %
2016	4,856,392	4,856,392	-	11,279,375	43.06%

## BOYNTON BEACH POLICE OFFICER' PENSION FUND

### NOTES TO THE SCHEDULE OF CONTRIBUTIONS

September 30, 2016

#### Last Fiscal Year

**Valuation date:** October 1, 2014

**Notes** Actuarially determined contribution rates are calculated as of October 1, which is two year(s) prior to the end of the fiscal year in which contributions are reported.

#### **Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	22 years (Single Equivalent Period)
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	5.0% to 6.5% depending on age, including inflation
Investment rate of return	7.75%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	80% RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA: 20% 1983 Group Annuity Mortality Table for males and females

**ADDITIONAL INFORMATION**

# BOYNTON BEACH POLICE OFFICERS' PENSION FUND

## SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES

Years ended September 30, 2016 and 2015

	2016		2015	
	Investment Expenses	Administrative Expenses	Investment Expenses	Administrative Expenses
Expenses:				
Actuary fees	\$ -	\$ 28,841	\$ -	\$ 29,827
Administrator's fees	-	43,918	-	28,763
Audit fees	-	15,000	-	14,500
Bank charges	-	703	-	105
Computer service	-	11,504	-	16,223
Directors' liability insurance	-	16,835	-	17,840
Dues and subscriptions	-	600	-	600
Investment managers' fees:				
Russell Trust Company	551,576	-	552,798	-
Legal fees	-	28,311	-	15,630
Medical advisor		1,782		2,845
Office expenses	-	263	-	1,234
Office rent	-	8,774	-	6,961
Pension program maintenance	-	2,430	-	1,611
Performance monitor	25,000	-	25,000	-
Seminars and training	-	5,437	-	13,314
Printing expense	-	-	-	3,651
	<u>\$ 576,576</u>	<u>\$ 164,398</u>	<u>\$ 577,798</u>	<u>\$ 153,104</u>
Percentage of plan net position	<u>0.67%</u>	<u>0.19%</u>	<u>0.74%</u>	<u>0.20%</u>