

**CITY OF BOYNTON BEACH
FIREFIGHTERS' PENSION PLAN**

FINANCIAL STATEMENTS
September 30, 2015 and 2014

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

**CITY OF BOYNTON BEACH
FIREFIGHTERS' PENSION PLAN**

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The Board of Trustees
City of Boynton Beach Firefighters' Pension Plan
Boynton Beach, Florida

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

The Board of Trustees
City of Boynton Beach Firefighters' Pension Plan
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 City of Boynton Beach Firefighters' Pension Plan as of September 30, 2015 and 2014, and the changes in fiduciary net position for the years the ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying required supplementary information on pages 24 through 27 of the City of Boynton Beach Firefighters' Pension Plan 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 28 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 & Crestine, P.L.

January 14, 2016

**CITY OF BOYNTON BEACH
FIREFIGHTERS' PENSION PLAN**

STATEMENTS OF FIDUCIARY NET POSITION
September 30, 2015 and 2014

	<u>Assets</u>	
	2015	2014
Cash	\$ 48,503	\$ 37,728
Receivables:		
Employer	29,486	29,486
Interest and dividends	59,138	71,836
Broker-dealers	244,649	355,004
	Total receivables	456,326
Investments at fair value:		
U.S. Government obligations	3,134,348	3,031,550
U.S. Government agency obligations	1,691,558	1,795,395
Municipal obligations	61,221	424,383
Domestic corporate obligations	3,568,452	3,682,032
Domestic fixed income investment funds	7,988,386	5,699,779
International fixed income investment fund	3,525,422	3,814,078
Domestic stocks	18,811,973	19,540,998
Domestic equity investment funds	21,685,681	21,135,699
Real estate investment funds	7,881,031	6,992,603
International equity investment funds	10,489,329	10,796,441
Temporary investments	1,513,346	1,117,490
	Total investments	78,030,448
Prepaid expenses	4,834	4,891
Total assets	80,737,357	78,529,393
	<u>Liabilities</u>	
Accounts payable	80,428	66,940
Accounts payable, broker-dealers	250,236	183,362
	Total liabilities	250,302
Net position restricted for pensions	\$ 80,406,693	\$ 78,279,091

See Notes to Financial Statements.

**CITY OF BOYNTON BEACH
FIREFIGHTERS' PENSION PLAN**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years ended September 30, 2015 and 2014

	2015	2014
Additions:		
Contributions:		
Employer	\$ 3,930,996	\$ 3,522,147
Plan members	1,195,448	1,191,111
Plan members, buy-back	56,082	100,662
Rollover to DROP	139,860	343,843
Total contributions	5,322,386	5,157,763
Intergovernmental revenue:		
Chapter 175 state excise tax rebate	963,573	1,016,561
Total intergovernmental revenue	963,573	1,016,561
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	(2,236,222)	5,419,290
Interest	228,458	345,754
Dividends	2,571,370	1,691,112
Commission recapture	1,344	1,148
Class action settlement	6,196	661
Other	200	5,235
Total investment income	571,346	7,463,200
Less investment expenses	288,493	275,620
Net investment income	282,853	7,187,580
Total additions	6,568,812	13,361,904
Deductions:		
Benefits:		
Age and service	3,883,951	3,804,080
Disability	40,963	40,410
Beneficiaries	224,862	222,880
Drop payments	154,373	224,700
Refunds	4,622	50,673
Administrative expenses	132,439	122,390
Total deductions	4,441,210	4,465,133
Net increase in net position	2,127,602	8,896,771
Net position restricted for pensions:		
Beginning of year	78,279,091	69,382,320
End of year	\$ 80,406,693	\$ 78,279,091

See Notes to Financial Statements.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

1. Description of the Plan

The following brief description of the Boynton Beach Firefighters' 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 1958 by Section 21-95 of an Ordinance adopted by the City of Boynton Beach, Florida. This Ordinance was substantively amended in 1978, 1983, 1993, 2000 and 2002.

The Plan is a defined benefit pension plan covering all full-time firefighters 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 175 of the State of Florida Statutes.

The Plan, in accordance with the above statutes, is governed by a five member pension board. Two firefighters, two City residents and a fifth member elected by the other four members constitute the pension board. The Fire Chief occupies an exofficio, non-voting position on the board of trustees. The Chief shall have the opportunity to participate in all board discussions and activities but shall not be counted for the purpose of a quorum nor shall he be entitled to move or second the adoption of any issue or vote on any matter before the 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, 2015 the Plan's membership consisted of:

Retirees and beneficiaries:

Currently receiving benefits	80
Drop Retirees	33
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u><u>114</u></u>

Current employees:

Vested	69
Nonvested	<u>51</u>
Total	<u><u>120</u></u>

At September 30, 2014, the date of the most recent actuarial valuation, there were 120 retirees and beneficiaries receiving benefits.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

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 or at 20 years of service without regard to age. Normal retirement benefits are based on 3.0% 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 three highest years of the last ten years of creditable service prior to retirement. Salary excludes bonuses and incentive pay received by a firefighter during that three year period.

A participant with 10 or more years of credited service is eligible for early retirement. These benefits begin upon application on or after reaching age 50 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 3% per year for each year by which the participant's age at retirement preceded the participant's normal retirement age.

There have been revisions in benefits since the 2012 valuation to reflect Senate Bill 1128. The definition of pensionable compensation has been changed to limit overtime pay to 300 hours per year effective September 27, 2013 and to limit the number of accumulated unused sick and vacation hours to the lesser of the number of hours accumulated as of September 27, 2013 and the number of hours cashed out at retirement. This change caused an initial increase in the employer contribution of 0.72% of covered payroll due to the fact the current average accumulated sick and vacation hours exceed the average amounts assumed for actuarial valuation purposes. Over time, however, this change will reduce the cost of the Plan.

Cost of Living Adjustment - The Plan provides for a 2% annual cost-of-living adjustment (COLA) commencing five years after retirement from the City or entry into the DROP Plan. This becomes available effective December 1, 2011 for all members who retire or enter into the DROP on or after December 1, 2006; eligible members also includes all retirees electing early retirement and all disability retirees who enter pay status on or after December 1, 2006.

The actuarial cost of this benefit was financed by an increase in the participants contribution rate from 7% to 12%.

Ad Hoc Supplemental Benefits - Certain retirees are eligible to receive annual distributions funded exclusively with available Chapter 175 premium tax revenue. Terms of the benefit provide that each eligible retiree shall receive a distribution of available funds for up to five hundred dollars per year of credited service for each year of credited service in the Plan not to exceed twenty years.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

1. Description of Plan (Continued)

Deferred Retirement Option Plan - Any Plan participant who is eligible to receive an early or normal retirement pension may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a firefighter. 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. 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 three ways. The selection of the earnings program may be changed each year in January. 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 the fixed and variable rates

Supplemental Pension Distributions - The Board of Trustees each year may approve a supplemental distribution from a net actuarial gain as calculated by the Plan's actuary. The distribution shall be paid to the extent of the actuarial gains attributable to retirees and beneficiaries which have been set aside in a supplemental pension reserve. In years in which the Plan's actuarial gain is sufficient to support the payment of a thirteenth check, the payment shall be made in December. The Board did not approve a supplemental distribution for the fiscal years ended September 30, 2015 and 2014.

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 retirement. 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 monthly salary.

Disability benefits for non-service related disabilities are paid to a participant for life. Benefits are calculated using a 2 1/2% accrual rate with 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 spouses death or remarriage. Benefits are calculated at 2 1/2% of the participant's average final salary at the time of death. Beneficiaries of participants who die prior to vesting will receive a refund of the participants accumulated contributions.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

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 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.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

The Plan's investments include an alternative investments in the U.S. Real Estate Investment Fund, the ASB Real Estate Fund, LBC Credit Partners Fund and Crescent Direct Lending Fund. These funds are privately placed and operates in a manner comparable to a mutual fund in many respects. The funds invest in a diverse portfolio of real estate, futures, options and certain other investments with varying market capitalizations.

The investments in the underlying funds are generally valued daily at fair value as determined by the management of the fund by reference to the value of the underlying securities, if available, or by the valuation of a security as provided by the general partner or investment manager, if the securities are not publicly traded. While the fund manager use its best judgment in estimating the fair values of underlying securities, there are inherent limitations in any estimation technique. Therefore, the values of such securities 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 securities 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 estimates of fair value could be material.

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

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 Fiduciary Net Position.

Custody of Assets - Custodial and investment services are provided to the Plan under contract with a national trust company having trust powers. 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 175 of the Florida Statutes.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

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 70% 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 and Objectives.

Actuarial Cost Method - The Plan changed its actuarial cost method from the Frozen Entry Age to 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, 2015 and 2014, which are separately issued documents. Anyone wishing further information about the City is referred to the City's CAFR.

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

Funding Policy - Participants are required to contribute 12.0% 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.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

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 year ended September 30, 2015 and 2014 was 42.27% and 37.5%, respectively. This rate consists of 20.50% and 19.42% of member salaries to pay normal costs plus 21.77% and 17.73% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2014 actuarial valuation.

Administrative Costs - All administrative costs of the Plan are financed through employee contributions and charges against the DROP accounts and supplemental distributions.

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.

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.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

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

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 Firefighters' Pension Fund (Plan) is a single employer pension plan as defined by GASB 67. The requirements for GASB 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

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

3. **Deposits and Investments**

Deposits

At year end September 30, 2015 the carrying amount of the Plan's deposits was \$31,964 and the bank balance was \$32,065. 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.

Salem Trust Company (Salem) 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 mutual funds.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

3. Deposits and Investments (Continued)

Investments

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

The Plan's investments other than cash held by its administrative manager, are segregated into a separate account and managed under separate investment agreements with Schroder Management, Ltd., Anchor Capital Advisors, L.L.C., and DSM Capital Partners, L.L.C. All of these accounts give Salem the custodianship, but give Schroder Management, Ltd, Anchor Capital Advisors, L.L.C., and DSM Capital Partners the authority to manage the investments.

The Vanguard 500 Index Fund and the Vanguard MidCap Fund are open-ended exchange traded funds and PIMCO Diversified Domestic Fixed Income Fund, the American Funds Europacific Fund, the WCM Focused International Growth fund and Templeton Global Bond Fund are mutual funds.

These assets are invested in accordance with the specific investment guidelines as set forth in the Statement of Investment Policies and Objectives. 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. The U.S. Real Estate Investment fund, the ASB Real Estate Fund, the LBC Credit Partners Investment Fund, and the Crescent Direct Lending Fund are privately placed funds, which operate as an alternative investment fund which offers their shares at the net asset value (NAV) of the fund. 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 exchange traded funds are commonly referred to as "ETFs". ETFs are funds that trade like other publicly-traded securities and are designed to track an index. Similar to shares of an index mutual fund, each share of the Fund represents a partial ownership in an underlying portfolio of securities intended to track a market index. Unlike shares of a mutual fund, which can be bought and redeemed from the issuing fund by all shareholders at a price based on NAV, only authorized participants may purchase or redeem shares directly from the Fund at NAV. Also, unlike shares of a mutual fund, the shares of the Fund are listed on a national securities exchange and trade in the secondary market at market prices that change throughout the day.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

3. Deposits and Investments (Continued)

The Fund invests in a particular segment of the securities market and seeks to track the performance of a securities index that generally is not representative of the market as a whole.

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

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, 2015:

Investment Type	Fair Value	Rating Standard & Poor's	Effective Duration (Years)
U.S. Government and agency obligations	\$ 4,825,906	AA	7.4
Municipal obligations	61,221	A	6.2
Domestic corporate obligations	3,568,452	BBB - AA	8.7
Domestic fixed income investment funds	7,988,386	-	-
International fixed income investment fund	3,525,422	-	-
Temporary investment funds	<u>1,513,346</u>	AAA	Daily
 Total	 <u>\$ 21,482,733</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.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

3. Deposits and Investments (Continued)

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 or 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.

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 operations. Where treaties allow for a reclaim of taxes, the Fund will make a formal application for refund. Such reclaims are included as an addition to dividend income.

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

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

3. Deposits and Investments (Continued)

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

In order to provide for a diversified portfolio, the Board has engaged investment professional(s) to manage and administer the fund. The investment manager(s) are responsible for the assets and allocation of their mandate only and may be provided as an addendum to this policy with their specific performance objectives and investment criteria. The Board has established the following asset allocation targets for the total Plan:

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>	<u>Benchmark Index</u>
Broad Cap Value Equity	20%	15%-25%	Russell 3000 Value
Broad Large Cap Growth Equity	20%	15%-25%	Russell 1000 Growth
Large Cap Core Equity	5%	0% - 10%	S&P 500
International Equity	15%	10%-20%	MSCI -World x-U.S.
Broad Market Fixed Income	10%	15%-25%	Barclays Int. Aggregate
TIPS*	5%	0%-7.5%	Barclays TIPS
Non-Core Global Bond	5%	.0%-7%	MS Global Brd Mkt x USD
Real Estate*	10%	0%-15%	NCREIF Property
Alternative Investment*	10%	0%-20%	TBD (mandate appropriate)

*Benchmark will default to "broad market fixed income" if these portfolios are not funded. Targets and ranges above are based on market value of total Plan assets.

The investment consultant will monitor the aggregate asset allocation of the portfolio, and will rebalance to the target asset allocation based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, contributions and withdrawals from the portfolio will be executed proportionally based on the most current market value available. The Board does not intend to exercise short-term changes to the target allocation.

Rate of Return - For the year ended September 30, 2015 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.78 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

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, 2015 and 2014 as follows:

	2015			2014		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:						
U.S. Government obligations	\$ 40,256	\$ 9,526	\$ 49,782	\$ (75,779)	\$ 26,305	\$ (49,474)
U.S. Government agency obligations	(388)	(4,974)	(5,362)	(452)	20,569	20,117
Municipal obligations	20,520	(20,164)	356	25,365	10,526	35,891
Domestic corporate obligations	36,391	(70,051)	(33,660)	(32,193)	(20,630)	(52,823)
Domestic fixed income investment funds	-	(158,284)	(158,284)	-	191,968	191,968
International fixed income investment fund	-	(553,890)	(553,890)	-	84,940	84,940
Domestic stocks	2,456,792	(2,711,676)	(254,884)	1,138,554	1,194,310	2,332,864
Domestic equity investment funds	1,005,247	(1,179,657)	(174,410)	716,017	2,152,203	2,868,220
Real estate investment funds	8,482	773,351	781,833	(3,201)	635,152	631,951
International equity investment funds	(1,244,179)	(643,524)	(1,887,703)	-	(644,364)	(644,364)
Net increase (decrease) in realized and unrealized appreciation (depreciation) of investments	<u>\$ 2,323,121</u>	<u>\$ (4,559,343)</u>	<u>\$ (2,236,222)</u>	<u>\$ 1,768,311</u>	<u>\$ 3,650,979</u>	<u>\$ 5,419,290</u>

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

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

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

5. Investments

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

Investment	2015		2014	
	Cost	Market Value	Cost	Market Value
U.S. Government obligations	\$ 3,178,983	\$ 3,134,348	\$ 3,085,712	\$ 3,031,550
U.S. Government agency obligations	1,675,963	1,691,558	1,774,826	1,795,395
Municipal obligations	56,176	61,221	399,172	424,383
Domestic corporate obligations	3,469,170	3,568,452	3,512,699	3,682,032
Domestic fixed income investment funds	8,003,042	7,988,386	5,556,153	5,699,779
International fixed income investment fund	4,174,845	3,525,422	3,909,610	3,814,078
Domestic stocks	15,700,695	18,811,973	13,720,043	19,540,998
Domestic equity investment funds	19,215,270	21,685,681	17,485,632	21,135,699
Real estate investment funds	5,192,988	7,881,031	5,077,911	6,992,603
International equity investment funds	11,132,852	10,489,329	9,557,560	10,796,441
Temporary investments	1,513,346	1,513,346	1,117,490	1,117,490
Total investments	<u>\$ 73,313,330</u>	<u>\$ 80,350,747</u>	<u>\$ 65,196,808</u>	<u>\$ 78,030,448</u>

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

6. Designations

A portion of the fiduciary net position is 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 years ended September 30, 2015 and 2014 are presented below as determined in the TPA's most recent accounting and valuation available for the fiscal years ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Designated for DROP accounts (fully funded)	\$ 12,465,519	\$ 10,406,243
Designated for the supplemental pension distribution reserve (13 th check)	<u>-</u>	<u>-</u>
Total designated net position	12,465,519	10,406,243
Undesignated net position	<u>67,941,174</u>	<u>67,872,848</u>
Total net position	<u>\$ 80,406,693</u>	<u>\$ 78,279,091</u>

7. Plan Amendments

There were no Plan amendments during the fiscal year ended September 30, 2015.

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

Plan amended to extend pension trustee terms of office from two to four years as permitted by Section 175.051, Florida Statutes. All pension trustees serving as of January 1, 2014 shall have their current term extended for a two year period.

These changes will not have an actuarial impact on the cost of this plan.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2015 and 2014

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 firefighter 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, 2015 and 2014, aggregate contributions from active members of the Plan were approximately \$12,295,000 and \$11,100,000, respectively. The portion of these contributions which are refundable to participants who may terminate with less than ten 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. Revisions in Actuarial Assumptions or Methods

The investment return assumption was lowered from 7.65% to 7.50% as of September 30, 2015. This change caused the employer contribution rate to increase by 1.54% of covered payroll.

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

12. Rent Expense

The Plan and Boynton Beach Police Officers' Pension Fund are obligated under a joint rental operating lease for office space, which expires on September 30, 2015. The base rent of the lease is \$1,166 per month plus applicable sales tax and is prorated 50/50 for each plan, respectively. During the years ended September 30, 2015 and 2014, rent expense for the Plan under the lease agreement was \$7,530 and \$6,960, respectively.

13. Net Pension Liability of the City

The components of net position liability of the City of Boynton Beach (City) as of September 30, 2015 were as follows:

Total Pension Liability	\$ 126,579,666
Plan Fiduciary Net Position	<u>80,406,693</u>
City's Net Pension Liability	<u><u>\$ 46,172,973</u></u>
Plan fiduciary net position as a percentage of total pension liability	63.52%

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

13. Net Pension Liability of the City (Continued)

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.

Actuarial cost method	Entry age normal
Inflation	3.50%
Salary increases	Varies by years of service from 3.5% to 14.0%
Investment rate of return	7.50%
Retirement age	Rates vary by age and years of service
Mortality	1983 Group Annuity Mortality Table for males and females

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 provided by the Fund's performance monitor) as of September 30, 2015 are summarized in the following table:

<u>Asset Group</u>	<u>Target Allocation Proxy</u>	<u>Long-Term Real Return</u>
Domestic equity	45.0%	5.20%
International equity	15.0%	2.40%
Domestic bonds	25.0%	2.50%
International bonds	5.00%	3.50%
Real estate	10.0%	4.50%

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

13. Net Pension Liability of the City (Continued)

Discount Rate - A single discount rate of 7.50% 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 7.50%. 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 (7.50%) was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Disability to Changes in the Discount Rate - 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 single discount rate of 7.50%, 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 6.50%	Current Single Discount Rate Assumption 7.50%	1% Increase 8.50%
	<hr/>	<hr/>	<hr/>
City's net pension liability	\$ <u>59,627,317</u>	\$ <u>46,172,973</u>	\$ <u>34,984,486</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

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

Last Two Fiscal Years

	September 30, 2015	September 30, 2014
	<u> </u>	<u> </u>
Total pension liability:		
Service cost	\$ 2,988,536	\$ 2,772,724
Interest	8,955,215	8,188,369
Benefit changes	-	-
Differences between actual and expected experience	708,071	(28,363)
Assumption changes	1,809,581	-
Benefit payments,	(4,304,149)	(4,292,070)
Refunds	(4,622)	(50,673)
Other (increase in excess state reserve)	259,251	312,239
Other (rollovers into DROP)	<u>139,860</u>	<u>343,843</u>
Net change in total pension liability	10,551,743	7,246,069
Total pension liability - beginning	<u>116,027,923</u>	<u>108,781,854</u>
Total pension liability - ending (a)	<u>\$ 126,579,666</u>	<u>\$ 116,027,923</u>
Plan fiduciary net position:		
Contributions - employer	\$ 3,930,996	\$ 3,522,147
Contributions - non-employer contributing entity (state)	963,573	1,016,561
Contributions - members (including buyback contributions)	1,251,530	1,291,773
Net investment income	282,853	7,187,580
Benefit payments	(4,304,149)	(4,292,070)
Refunds	(4,622)	(50,673)
Administrative expenses	(132,439)	(122,390)
Other (Rollovers into DROP)	<u>139,860</u>	<u>343,843</u>
Net change in plan fiduciary net position	2,127,602	8,896,771
Plan fiduciary net position - beginning	<u>78,279,091</u>	<u>69,382,320</u>
Plan fiduciary net position - ending (b)	<u>\$ 80,406,693</u>	<u>\$ 78,279,091</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 46,172,973</u>	<u>\$ 37,748,832</u>
 Plan fiduciary net position as a percentage of total pension liability	 <u>63.52%</u>	 <u>67.47%</u>
Covered employee payroll	<u>\$ 11,784,702</u>	<u>\$ 11,307,953</u>
Net pension liability as a percentage of covered employee payroll	<u>391.80%</u>	<u>333.83%</u>

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

SCHEDULE OF CONTRIBUTIONS

Last Two 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 Contribution as a Percentage of Covered Payroll</u>
2015	\$ 4,635,318	\$ 4,635,318	\$ -	\$ 11,784,702	39.33 %
2014	4,226,469	4,226,469	-	11,307,953	37.38

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

September 30, 2015

Last Two Fiscal Years

Valuation date: October 1, 2014
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 percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	5-year smoothed market
Inflation	3.5%
Salary Increases	Varies by years of service from 3.5% to 14.0%
Investment Rate of Return	7.50%
Retirement Age	Rates vary by age and years of service
Mortality	1983 Group annuity Mortality Table for males and females

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

SCHEDULE OF INVESTMENT RETURNS

Last Two Fiscal Years

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual money-weighted rate of return, net of investment expense	<u>0.78%</u>	<u>9.54%</u>

ADDITIONAL INFORMATION

CITY OF BOYNTON BEACH FIREFIGHTERS' PENSION PLAN

SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES

Years ended September 30, 2015 and 2014

	2015		2014	
	Investment Expenses	Administrative Expenses	Investment Expenses	Administrative Expenses
Expenses:				
Actuary fees	\$ -	\$ 23,000	\$ -	\$ 27,054
Administrator's fees	-	28,763	-	27,393
Audit fees	-	14,500	-	11,000
Bank charges	-	322	-	402
Computer supplies	-	12,890	-	5,581
Custodial fees	41,036	-	39,836	-
Directors' liability insurance	-	9,067	-	9,063
DROP Administration	2,000	-	2,500	-
Dues and subscriptions	-	850	-	600
Investment managers' fees:				
ASB Allegiance	32,835	-	15,737	-
STW	-	-	7,628	-
Anchor Capital	60,298	-	45,357	-
DSM Capital	90,360	-	98,733	-
Schroder	28,464	-	32,329	-
Legal fees	-	27,845	-	18,173
Office expenses	-	471	-	809
Office rent	-	7,530	-	6,960
Pension program maintenance	-	1,496	-	2,769
Performance monitor	33,500	-	33,500	-
Seminars and training	-	5,705	-	12,586
	<u>\$ 288,493</u>	<u>\$ 132,439</u>	<u>\$ 275,620</u>	<u>\$ 122,390</u>
Percentage of plan net position	<u>0.36%</u>	<u>0.16%</u>	<u>0.35%</u>	<u>0.16%</u>