

**TOWN OF DAVIE
POLICE PENSION PLAN**

FINANCIAL STATEMENTS
September 30, 2015

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

TOWN OF DAVIE POLICE PENSION PLAN

September 30, 2015

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Davidson, Jamieson & Cristini, P.L.
Certified Public Accountants

1956 Bayshore Boulevard
Dunedin, Florida 34698-2503
(727)734-5437 or 736-0771
FAX (727) 733-3487

Members of the Firm
John N. Davidson, CPA, CVA
Harry B. Jamieson, CPA
Richard A. Cristini, CPA, CPPT, CGFM
Jeanine L. Bittinger, CPA, CPPT

Member
American Institute of
Certified Public Accountants
Florida Institute of
Certified Public Accountants

The Board of Trustees
Town of Davie Police
Pension Plan
Davie, Florida

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of Town of Davie Police Pension Plan (Plan), which comprise the statements of fiduciary net position as of September 30, 2015, and the related statement of changes in fiduciary net position for the year 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.

The Board of Trustees
Town of Davie Police
Pension Plan
Davie, Florida

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Town of Davie Police Pension Plan as of September 30, 2015, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying required supplementary information on pages 26 through 33 of the Town of Davie Police 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 34 is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Davidson, Jamieson & Creative, P.L.

January 18, 2016

TOWN OF DAVIE POLICE PENSION PLAN

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2015

Assets

	<u>2015</u>
Cash	\$ 2,068
Receivables:	
Participants	42,546
Interest and dividends	222,483
Broker-dealers	<u>1,436,352</u>
Total receivables	1,701,381
Investments at fair value:	
U.S. Government obligations	9,646,508
U.S. Government agency obligations	9,803,733
Mortgages	11,369,696
Corporate bonds	5,174,933
Domestic stocks	26,427,157
Domestic equity investment funds	30,576,357
International equity investment funds	10,330,343
Real estate investment funds	13,837,241
Temporary investments	<u>2,248,500</u>
Total investments	119,414,468
Prepaid expenses	<u>439,916</u>
Total assets	121,557,833

Liabilities

Accounts payable	101,357
Accounts payable, broker-dealers	<u>209,712</u>
Total liabilities	<u>311,069</u>
Net position restricted for pensions	\$ <u><u>121,246,764</u></u>

See Notes to Financial Statements.

TOWN OF DAVIE POLICE PENSION PLAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended September 30, 2015

Additions:	<u>2015</u>
Contributions:	
Employer	\$ 5,797,600
Participants	1,128,753
Buy back	256,789
DROP account	<u>106,274</u>
Total contributions	7,289,416
Intergovernmental revenue:	
Chapter 185 state excise tax rebate	784,261
Investment income (loss):	
Net appreciation (depreciation) in fair value of investments	(1,535,107)
Interest	1,444,299
Dividends	1,396,750
Commission rebate	8,008
Class action settlements	3,789
Other	<u>3,185</u>
Investment income (loss)	1,320,924
Less investment expenses	<u>476,239</u>
Net investment income (loss)	<u>844,685</u>
Total additions	8,918,362
Deductions:	
Benefits:	
Age and service	4,669,153
Disability	222,128
Drop accounts	2,342,321
Refunds of contributions	13,122
Administrative expenses	<u>152,164</u>
Total deductions	<u>7,398,888</u>
Net increase in net position	1,519,474
Net position restricted for pensions:	
Beginning of year, as restated	<u>119,727,290</u>
End of year	<u><u>\$ 121,246,764</u></u>

See Notes to Financial Statements.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

1. Description of Plan

The following brief description of the Town of Davie Police Pension Plan (Plan) is provided for general information purposes only. Participants should refer to the Plan Ordinance for more complete information.

General - The Plan is a single employer defined benefit pension plan covering all full-time sworn police officers of the Town of Davie, Florida (Town). Participation in the Plan is required as a condition of employment. Originally established in 1976 and substantially amended in 1994, 1999, 2001, 2005, 2006, 2007 and 2011, the Plan provides for pension, death and disability benefits. The Plan is subject to provisions of Chapter 185 of the State of Florida Statutes.

The Plan, in accordance with the above statute, is governed by a five member pension board. Two police officers who are elected by a majority of the members of the Plan, two are appointed by the Town Council and must be legal residents of the Town and a fifth member who is appointed by the other four members constitute the pension board. The Town and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The Town is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

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

Retirees and beneficiaries:	
Currently receiving benefits	100
DROP retirees	37
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u>138</u>
Current employees:	
Vested	90
Nonvested	<u>76</u>
Total	<u>166</u>

At September 30, 2014, the date of the most recent actuarial valuation, there were 90 retirees and beneficiaries receiving benefits.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2015

1. Description of the Plan (Continued)

Normal Retirement

Tier One Participants - Officers Hired Prior to October 1, 2010 - Those officers may retire on the earlier of the date on which they attain 20 years of benefit service or the date on which they attain age 55. For officers terminating service with more than 15 years but less than 20 years of benefit service, the normal retirement benefit will commence on the first day of the month coincident with or next following the date the officer would have completed 20 years of benefit service. An officer has vested benefits after 10 years of continuous service.

Upon retirement, an officer will receive a monthly benefit amount equal to the number of years of benefit service multiplied by 3% of final average earnings for the first 10 years of service plus 4% for the next 5 years of benefit service, plus 5% for the next 5 years of benefit service, plus 2% for the next 10 years of benefit service, with a 95% maximum. However, after 47½ years of benefit service, benefits shall recommence at a rate of 2% of final average earnings per year.

Tier Two Participants - Officers Hired After October 1, 2010 - Tier Two benefits shall be administered in the same manner as Tier One benefits, except as follows: the normal retirement benefit for Tier Two officers shall be calculated using a 3% multiplier for the first 20 years of service, and 2% for each additional year, up to a maximum benefit of 80%. Notwithstanding the 80% cap, benefits shall accrue at a rate of 2% per year for any active Tier Two member after 40 years of service.

The officers' benefits commence on the first day of the month following their retirement date and are continued until death; however, benefits may be payable to the officers' beneficiaries, depending on the optional form of payment elected. An officer with the consent of the Town of Davie may continue to work beyond their normal retirement date and retire on any subsequent first day of the month.

Early Retirement - Any officer who has completed 10 years of benefit service and attained the age of 50 may retire early, with the consent of the Town of Davie.

Upon retirement, an officer will receive a monthly benefit amount equal to the number of years of benefit service multiplied by 3% of final average earnings for the first 10 years of service plus 4% for the next 5 years of service, plus 5% for the next 5 years of benefit service, plus 2% for the next 10 years of benefit service. The benefit will be reduced for early payment so that it is actuarially equivalent to the normal retirement benefit. Effective May 1, 2011, the early retirement reduction shall be no more than 3% per year.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2015

1. Description of the Plan (Continued)

Early Retirement (Continued)

The officer also has the option of deferring the commencement of his monthly benefit to his normal retirement date, the earlier of the date he would have attained 20 years of benefit service (provided he has completed 15 years of actual Benefit Service) or age 55. In such case, there would be no actuarial reduction to his monthly benefit.

Disability - Any officer who receives a medically substantiated service connected disability as determined by the pension board will receive a monthly benefit equal to the greater of 66-2/3% of such officer's base pay at time of disability, less any applicable benefits payable by Federal Old Age, Survivors and Disability Insurance, Worker's Compensation benefits or other disability benefits payable from Broward County or the Town of Davie, or 42% of final average earnings payable as a ten year certain and life annuity. If the disability is non-service connected, an officer will receive a monthly benefit of the greater of \$100 or 1.50% of final average earnings multiplied by the number of years of benefit service at their date of disability offset by the amounts described above. Benefits are payable beginning six months after termination of service for disability. Effective May 1, 2011 the minimum non-service connected disability benefit shall be the greater of the accrued benefit or 25% of final pay payable as 10 years certain and life annuity.

Death Benefits - Prior to retirement, if death is non-service connected or officer had no spouse to whom he had been married for at least one (1) year prior to death, the death benefit shall be the return of accumulated employee contributions plus prior plan benefits, if any. However, if a member had at least 10 years of benefit service at the time of death, then his or her beneficiary will be entitled to the benefits otherwise payable to the officer at early or normal retirement date.

If death is service-connected and officer has an eligible spouse to whom he had been married to for at least one (1) year prior to death, such spouse shall be entitled to a monthly annuity equal to the greater of 50% of base pay at this date of death, or accrued benefit payable to the eligible spouse on the date of what would have been the officers' normal retirement date. Such pension shall continue to the spouse until the earlier of the spouse's death or remarriage, with a guarantee that such benefits will at least equal the accumulated contributions at his date of death. If an officer had no eligible spouse but had at least 10 years of benefit service at the time of death, then his or her beneficiary will be entitled to the benefits otherwise payable to the member at early or normal retirement date.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2015

1. Description of the Plan (Continued)

Disability Benefits (Continued)

After retirement, if a member had elected a joint and survivor or a 10 year certain and life optional form of payment, the adjusted monthly benefit will be continued to the beneficiary until the appropriate annuity ending date. Total benefits payable to the officer and his beneficiary will not be less than the amount of accumulated contributions at date of retirement.

Cost-of-Living Adjustment (COLA) - An annual COLA will be granted to retirees and beneficiaries. Disability retirees are not eligible for a COLA. The amount of the COLA will be 2% per year. For officers who retired prior to October 1, 1997, the monthly benefit after the yearly COLA will not exceed 115% of the original monthly benefit prior to any COLA. For post October 1, 1997 retirees, the limit for future monthly benefits after COLA will be 130% of the original benefit amounts prior to any COLA. The first annual COLA will commence on the fifth anniversary of retirement, but no earlier than November 1, 2004.

Normal Forms of Retirement Income - For a married participant, the normal form of retirement income will be monthly payments for the life of the officer with benefit continuing to the spouse after the officer's death for one year and 60% of the benefit to the spouse thereafter. The benefit amount is not reduced due to this form of payment. The participant may also elect to receive the benefit as an unreduced ten year certain life annuity. For an unmarried participant, the normal form of payment will be an unreduced ten year certain and life annuity.

Option Forms of Retirement Income - The following optional forms of retirement income may be elected by an officer.

Option 1 - A single life annuity payable during the lifetime of the participant only.

Option 2 - A retirement annuity of smaller monthly amount, payable to the officer during the joint lifetime of the officer and a joint pensioner designated by the officer, and following the death of either of them, 50%, 66 2/3%, 75% of 100% depending on the retiree's election, of such small monthly amount payable to the survivor for the lifetime of the survivor.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2015

1. Description of the Plan (Continued)

Option Forms of Retirement Income (Continued)

Option 3 - A monthly annuity payable to the officer for ten years certain and life thereafter.

A “pop-up” feature can also be elected by the officer together with the 66 2/3%, 75% or 100% joint and contingent annuity described in Option 2 above. For those officers who elect this feature, the benefit amount will increase to the original normal form of payment amount if the beneficiary predeceases the member.

Deferred Retirement Option Plan (DROP Plan) - A Deferred Retirement Option Plan was implemented for the year ended September 30, 1998. The DROP is administered by the Police Pension Board of Trustees. The rate of return earned by the DROP is the same as that earned by the Plan less a \$10 per month adjustment for expenses. Once an officer enters the DROP, his monthly retirement benefit is frozen, and his monthly benefit is paid into his DROP account. Upon termination of employment, the balance of the officer’s DROP account is payable to him and he also begins to receive his (frozen) monthly retirement benefit. The DROP has a five (5) year maximum participation period. Effective October 1, 2010, DROP participants may remain in the DROP for up to 5 years. In no event can the total of the sum of years of creditable service and year of DROP participant exceed 30 years for a member who enters the DROP.

All officers electing to participate in the DROP are required upon entering the DROP to transfer any accumulated leave balances above four hundred and eighty (480) hours into the officer’s DROP account, subject to the annual limit set forth in the Internal Revenue Code.

Member Contributions - Each police officer will contribute 7.0% of their basic compensation to the Plan, starting on their eligibility dates and continuing to their date of retirement, disability, termination or death, whichever comes first. These contributions are designated as employee contributions under Section 414(h)(2) of the Internal Revenue Code. Effective January 1, 2013, the limit of the amount of overtime that is included in pensionable compensation was lowered from 400 hours to 300 hours.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

1. Description of the Plan (Continued)

Town and State Contributions - Pursuant to Florida Statutes, Chapter 185, contributions from the State of Florida Department of Insurance consists of an excise tax imposed by the Town upon certain casualty insurance companies on the gross amount of receipts of premiums from policy holders on all premiums collected on casualty insurance policies covering property within the Town. The Town pays into the Plan such amount as is determined actuarially to provide for benefits under the Plan not met by member contributions. This amount is reduced by any allowable Chapter 185 State contributions.

Permissive Service Credit Purchasing - A vested active participant shall be permitted to purchase permissive service credit in the form of an increased benefit accrual factor, which may be purchased in one percent (1.0%) increments above the participant's accrued benefit percentage, in an amount not to exceed twenty percent (20%) of final average earnings (FAE). The maximum of benefit accrual will remain at ninety-five percent (95%) of FAE for Tier One participants and eighty per cent (80%) for Tier Two participants. The purchase cost would be the full actuarial cost of the increased benefit accrual multiplier and must be paid in full prior to the grating of the increased benefits.

A vested active participant shall be permitted to purchase permissive service credit expressed as an earlier normal retirement date. Under such proposal, a participant would be able to receive an unreduced normal retirement benefit as early as upon the completion of 15 years of Benefit Service (instead of 20), if a purchase of the maximum of five (5) years of permissive service credit were made. However, the participant would not accrue a higher multiplier, but would be permitted to begin receiving an unreduced retirement benefit with fewer years of actual service. The purchase cost would be the full actuarial cost of the earlier commencement of retirement benefits and must be paid in full prior to the grating of the increased benefits.

The cost of either purchase may be made either in one lump sum or made in payroll deduction installments for a period not to exceed five (5) years, with 7.0% per annum interest added, and must be completed prior to commencement of any enhanced benefits.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2015

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 participant contributions are recognized in the period in which the contributions are due. Town contributions to the plan as calculated by the Plan's actuary, are recognized as revenue when due and the Town 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 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.

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 Statements of Changes in Fiduciary Net Position.

- Debt securities: Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporations and foreign debt securities. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs include recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2015

2. Summary of Significant Accounting Policies (Continued)

Valuation of Investments (Continued)

- Equity securities: Equity securities consist of domestic equity securities, domestic equity funds, and international equity funds. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal 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 last reported bid price. International equities are valued base upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30. Securities which are not traded on a national security exchange are valued by the respective Plan manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.
- Alternative investments: These investments include equity real estate investments where no readily ascertainable market value exists. To value these investments, management, in consultation with the general partner and investment advisors, determines the fair values for the individual investments based upon the partnership's or limited liability company's most recent available financial information adjusted for cash flow activities through September 30. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Unrealized gains and losses are presented as net appreciation in fair value of investments on the Statement of Changes in Fiduciary Net Position along with gains realized on sale of investments. Purchases and sale of securities are reflected on a trade-date basis. Interest income is recognized as earned and dividend income is recorded as of the ex-dividend date. Realized gains and losses on the sale of investments are based on average cost identification method.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of 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 Town of Davie, Florida.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2015

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

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 and fixed income funds, real estate and derivative investments. In addition, the Board requires that Plan assets be invested with no more than 62.5 in stocks and convertible securities measured at market value at the end of each reporting period. Further information regarding the permissible investments from the Plan can be found in the Plan's Investment Guidelines.

Actuarial Cost Method - The Plan has elected the Entry Age Normal 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 Town of Davie, Florida.

The Plan is included in the Town's Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2015, which is a separately issued document. Anyone wishing further information about the Town is referred to the Town's CAFR.

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

The Town's actuarially determined contribution rate for the year ended September 30, 2015 was 41.9%. This rate consists of 24.3% of member salaries to pay normal costs plus 17.6% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2014 actuarial valuation.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2015

2. Summary of Significant Accounting Policies (Continued)

Administrative Costs - All administrative costs of the Plan are financed through charges allocated against the DROP accounts. The Town contributes the remainder of the cost of administration of the Plan.

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 dated October 20, 1994 indicating that the Plan is qualified and exempt from Federal income taxes was issued by the Internal Revenue Service. Although the Plan has been amended since receiving this determination, 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.

New Accounting Pronouncements - The Plan adopted Governmental Accounting Standards Board (GASB) 67, *Financial Reporting for Pension Plans* and GASB 68, *Accounting & Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* (GASB Statement No. 67). GASB Statement No. 67 applied to pension plans that administer pension benefits for governments through a trust or equivalent arrangements that meet certain specified criteria. GASB Statement No. 67 establishes standards of financial report for separately issued financial reports and specifies the required approach to measuring the net pension liability of employers for benefits provided through the pension plan. The adoption changed various reporting terminology, footnote disclosures, and required supplementary information to be disclosed.

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.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2015

3. Deposits and Investments

Deposits

Fiduciary International of the South (FTIOS) periodically holds uninvested cash in its respective capacity as custodian for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

Investments

Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended international and domestic investment funds and a commingled pooled trust fund.

The Plan's independently managed investments are segregated into four separate accounts and managed under separate investment agreements with Garcia, Hamilton & Associates, L.P., TAMRO Capital Partners, Lyrical Asset Management, L.P., and SNOW Capital Management, L.P.. These four accounts give FTIOS the custodianship, but give these listed money managers the authority to manage the investments.

The Vanguard Index Investment Fund is a domestic equity investment fund which is also held by FTIOS. Rhumblin S&P Mid Cap 400 Pooled Index Fund is an alternative investment fund. International equity funds include SSGA's MSCIEAFE Index Fund and the Johnstone I.E. Group Trust are alternative investments funds held by State Street Bank and Trust and Mellon Bank, respectively. The real estate investment funds include the U.S. Real Estate Investment Fund, LLC, UBS Trumbull Property Fund, and the American Core Realty Fund., LLC.

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

The investment managers listed above are monitored by the Board of Trustees and an investment performance monitor. Except for the alternative investments, the Plan's investments are uninsured and unregistered and are held in the custodians' or the Bank's accounts in the Plan's name as described above.

The alternative investment funds shown above use 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 these funds minus their 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.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

3. Deposits and Investments (Continued)

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 affect the estimates of fair value and the effect of such events on the estimates of fair value could be material.

The Plan held no investment securities that individually represent 5% or more of the Plan's net assets available for benefits during the year ended September 30, 2015.

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 investments as of September 30, 2015:

<u>Investment Type</u>	<u>% of Fund</u>	<u>Fair Value 9/30/15</u>	<u>Overall Credit Rating</u>	<u>Average Effective Duration (Years)</u>
U.S. Government obligations	8.00 %	\$ 9,646,508	AA	4.9
U.S. Government agency obligations	8.00	9,803,733	AA	6.3
Mortgages	9.37	11,369,696	A-AA	3.4
Corporate bonds	4.26	5,174,933	A-AAA	5.9
Temporary investments	1.85	2,248,500	N/A	N/A
Total	<u>31.48%</u>	<u>\$ 38,243,370</u>		

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risks. Through its investment policies the Plan manages its exposure to fair value losses rising from increasing interest rates. The Plan limits the effective duration of its investment portfolio through the adoption of the Barclay Intermediate Aggregate Bond Index benchmark.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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 investments to a quality rating of "A" or equivalent as rated by Moody's or by Standard & Poor's bond rating services at the time of purchase. Fixed income investments which are downgraded below the minimum rating must be liquidated at the earliest beneficial opportunity.

Custodial Credit Risk - Custodial credit risk is defined as the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third party custodian in the name of the Plan. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. The investments in mutual funds and investment fund are considered *unclassified* pursuant to the custodial 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 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.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

3. Deposits and Investments (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>
Large cap equity	30.00%
Mid cap equity	10.00
Small cap equity	10.00
International equity	12.50
Real estate	10.00
Fixed income	<u>27.50</u>
Total	<u>100.00%</u>

Rate of Return - For the year ended September 30, 2015 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.50 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 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, 2015 as follows:

	2015		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:			
U.S. Government securities	\$ (929,064)	\$ 196,769	\$ (732,295)
U.S. Government agency securities	(28,598)	83,259	54,661
Mortgages	(365,786)	(51,837)	(417,623)
Corporate bonds	124,184	28,334	152,518
Domestic stocks	3,769,287	(4,066,194)	(296,907)
Domestic equity investment funds	104,056	(483,781)	(379,725)
International equity investment funds	-	(866,480)	(866,480)
Real estate investment trust funds	-	950,744	950,744
	<u>\$ 2,674,079</u>	<u>\$ (4,209,186)</u>	<u>\$ (1,535,107)</u>
Net increase in realized and unrealized appreciation (depreciation) of investments	<u>\$ 2,674,079</u>	<u>\$ (4,209,186)</u>	<u>\$ (1,535,107)</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.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

5. Investments

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

Investment	2015	
	Cost	Fair Value
U.S. Government obligations	\$ 9,318,682	\$ 9,646,508
U.S. Government agency obligations	9,964,075	9,803,733
Mortgages	11,383,198	11,369,696
Corporate bonds	5,099,006	5,174,933
Domestic stocks	21,381,239	26,427,157
Domestic equity investment funds	24,792,786	30,576,357
International equity investment funds	8,385,345	10,330,343
Real estate investment funds	11,878,751	13,837,241
Temporary Investments	2,248,500	2,248,500
Total	<u>\$ 104,451,582</u>	<u>\$ 119,414,468</u>

6. Mortgage-Backed Securities

The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

7. Designations

A portion of the fiduciary net position is designated for benefits that accrue in relation to the DROP accounts as further described in Note 1. Allocations to the DROP plan accounts for the fiscal year ended September 30, 2015 are presented below as determined in the most recent annual valuation available for the fiscal year then ended:

	2015
Designated for DROP accounts (fully funded)	\$ 4,799,091
Total designated fiduciary net position	4,799,091
Undesignated fiduciary net position	116,447,673
Total fiduciary net position	\$ 121,246,764

8. Changes to the Plan's Assumptions

The Plan adopted the following assumption changes during the fiscal year ended September 30, 2015.

- a. Funding rate assumption (expected future rate of return) changed from 7.90% to 7.60%.
- b. Annual salary increase changed from 6.25% to 5.50%.
- c. Termination rates changed per table to 20% reduction.
- d. Mortality table changed from GAM-1983 to RP-2000.

The actuarial cost of the Town for the above changes was an increase of \$59,000.

9. Plan Amendments

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

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

10. Plan Termination

Although it has not expressed an intention to do so, the Town may terminate the Plan in accordance with the provisions of the Plan and the provisions of Florida Statutes §185.37. 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.

11. 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 Town prior to being eligible for pension benefits. At September 30, 2015 aggregate contributions from active members of the Plan were approximately \$8,315,000. The portion of these contributions which are refundable to participants who may terminate with less than ten years of service has not been determined.

12. 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 fiduciary net position.

13. Restatement

The Plan's net position as of September 30, 2014 has been restated as follows:

Plan net position as of September 30, 2014,	
as previously reported	\$ 117,768,626
Decrease in deferred inflows	1,926,368
Other	32,296
	<hr/>
Plan net position at September 30, 2014	
as restated	<u>\$ 119,727,290</u>

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

14. Net Pension Liability of the Town

The components of net position liability of the Town of Davie (Town) as of September 30, 2015 were as follows:

Total Pension Liability	\$ 149,651,598
Plan Fiduciary Net Position	<u>121,246,764</u>
Town's Net Pension Liability	<u><u>\$ 28,404,834</u></u>
Plan Fiduciary Net Position as a percentage of total pension liability	81.02%

Actuarial Assumptions - The total pension liability at September 30, 2015 was determined by an actuarial valuation as of October 1, 2014, with update procedures used to roll forward the total pension liability to September 30, 2015. The actuarial valuation used the following actuarial assumptions:

Inflation	3.00%
Salary increases	5.50%, including inflation
Projected COLAs	2.0%, with a limit of 130% of the original pension benefit, the first annual COLA will commence on the fifth anniversary of retirement.
Investment rate of return	7.60%, compounded annually, net of pension plan investment expense, including inflation.

Mortality rates are calculated with the RP-2000 Mortality Table with separate rates for males and females. For disabled participants, the 1985 Pension Disability Table was used with separate rates for males and females.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

14. Net Pension Liability of the Town (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, 2015 are summarized in the following table:

Target Allocation	Asset Class	Long-Term Expected Real Rate of Return
30.00%	Large cap equity	5.50%
10.00	Mid cap equity	8.40
10.00	Small cap equity	6.00
12.50	International equity	3.04
10.00	Real estate	5.30
27.50	Fixed income	2.18

Discount Rate - The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2015

14. Net Pension Liability of the Town (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Town, calculated using the discount rate of 7.60%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.60 percent) or 1-percentage point higher (8.60%) than the current rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.60%	7.60%	8.60%
Town's Net Pension Liability	\$ 46,504,714	\$ 28,404,834	\$ 13,136,975

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DAVIE POLICE PENSION PLAN

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY

Last Fiscal Year

	September 30, 2015
Total pension liability:	
Service cost	\$ 4,080,569
Interest	10,820,739
Changes of benefit terms	-
Differences between expected and actual experience	(698,115)
Changes of assumptions	21,912,756
Benefit payments, including refunds of employee contributions	(7,246,724)
Net change in total pension liability	28,869,225
Total pension liability - beginning	120,782,373
Total pension liability - ending (a)	\$ 149,651,598
Plan fiduciary net position:	
Contributions - employer	\$ 5,797,600
Contributions - state	784,261
Contributions - employees	1,128,753
Contributions - buy-back	256,789
DROP account	106,274
Net investment income	844,685
Benefit payments, including refunds of employee contributions	(7,246,724)
Administrative expenses	(152,164)
Other	-
Net change in plan fiduciary net position	1,519,474
Plan fiduciary net position - beginning	119,727,290
Plan fiduciary net position - ending (b)	\$ 121,246,764
Net pension liability (a) - (b)	\$ 28,404,834

TOWN OF DAVIE POLICE PENSION PLAN

SCHEDULE OF RATIOS

Last Fiscal Year

	<u>September 30,</u> <u>2015</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.02%</u>
Covered employee payroll	\$ <u>13,411,960</u>
Net pension liability as a percentage of covered payroll	<u>211.79%</u>

TOWN OF DAVIE POLICE PENSION PLAN

SCHEDULE OF CONTRIBUTIONS

Last Fiscal Year

	September 30, 2015
Actuarially determined contributions	\$ 6,361,217
Contributions in relation to the actuarially determined contributions	<u>6,361,217</u>
	<u>\$ -</u>
Covered employee payroll	<u>\$ 13,411,960</u>
Contributions as a percentage of covered employee payroll	<u>47.40%</u>

The Town's Minimum Funding Requirement (MFR) was \$5,613,748, as shown in the Actuarial Valuation Report, if quarterly payments had been made. Instead, the Town contributed a single amount of \$5,797,600 on 10/22/14. The MFR as of that date was only \$5,389,887, resulting in a prepaid contribution of \$407,713 (\$5,797,600 - \$5,389,887).

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO SCHEDULE OF CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of the Town's contributions are calculated as of October 1, 2014. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine the contribution rates reported in the Schedule of the Town's contributions.

1. Mortality:

For health participants, the RP-2000 Mortality Table was used with separate rates for males and females.

For disabled participants, the 1985 Pension Disability Table was used with separate rates for males and females.

No provision was made for future mortality improvements.

50% of all pre-retirement deaths are assumed to be duty related.

2. Interest to be Earned by the Fund:

7.60%, compounded annually, net of investment expenses.

3. Allowances for Expenses or Contingencies:

Estimated by net of investment fees paid during the previous year.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO SCHEDULE OF CONTRIBUTIONS (CONTINUED)

4. Employee Withdrawal Rates:

Withdrawal rates were used in accordance with tables per the following illustrative example:

<u>Age</u>	Withdrawal Rates	
	Per 100 Employees	
	<u>Male</u>	<u>Female</u>
20	8.4	14.0
25	5.6	8.4
30	3.9	5.6
35	2.8	3.9
40	1.7	2.8
45	1.1	1.7
50	0.2	1.1
55 & OVER	0.0	0.0

5. Assumption on Pensionable Overtime Hours

Each member is assumed to continue to work the same number of overtime hours as in the most recent plan year, subject to the 300 hours maximum, for each future year.

6. Disability Rates:

The 1985 Disability Study - Class 1 with separate male and female rates were used. 75% of disabilities assumed to be service incurred, 25% assumed to be non-service incurred.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO SCHEDULE OF CONTRIBUTIONS (CONTINUED)

7. Salary Increase Factors:

Current salaries were assumed to increase at a rate of 5.5% per year until retirement.

8. Rate of Retirement:

The following are the retirement rates assumed for the participants eligible for retirement:

Participants with 20 or more years of Benefit Service		Participants with less than 20 years of Benefit Service	
Years of Service	Percentage Retiring	Age	Percentage Retiring
20	65%	50-54	25%
21-24	50%	55-59	50%
25 and over	100%	60 and over	100%

However, active participants eligible for retirement that have less than 20 years of Benefit Service as of the valuation date are assumed to have a minimum of one year future service.

9. Asset Valuation Method:

The actuarial value of assets is determined by smoothing the difference between actual investment earnings and assumed investment return over three (3) years. This method was adopted effective October 1, 2007 with no phase-in. The resulting value would then be limited to between 80% and 120% of market value.

TOWN OF DAVIE POLICE PENSION PLAN

NOTES TO SCHEDULE OF CONTRIBUTIONS (CONTINUED)

10. Actuarial Cost Method:

Normal Retirement, Termination, Disability and Pre-Retirement Death Benefits: Entry-Age-Actuarial Cost Method.

Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his date of hire to his retirement age to fund his estimated benefits, assuming the plan had always been in effect. The normal cost of the plan is the sum of the individual normal costs for all active participants. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the plan is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the actuarial value of assets of the plan.

11. Marriage Assumptions:

100% of active participants were assumed married, with husbands three (3) years older than wives.

12. Valuation of Normal Form of Payment:

The normal form of payment is valued as an unreduced joint and 60% survivor annuity benefit for married members. For unmarried members, the normal form of payment is valued as ten years certain and life annuity.

13. Changes from October 1, 2013 Actuarial Valuation:

The actuarial assumptions on mortality table, fund investment return, salary increases, and allowances for expenses have been revised in this valuation. The assumed fund investment return was changed from 7.90% to 7.60% (net of investment expenses), compounded annually. The assumed future salary increases was changed from 6.25% per year to 5.50% per year. The rates in the termination table were reduced by 20% and the mortality table was changed from GAM83 to RP-2000. The changes were made to better reflect expected plan experience. The allowances for expenses changed from gross of investment fees to net of investment fees.

TOWN OF DAVIE POLICE PENSION PLAN

SCHEDULE OF INVESTMENT RETURNS

Last Fiscal Year

	September 30,
	2015
	<hr/>
Annual money-weighted rate of return	
net of investment expenses	<hr/> <u>0.50%</u>

ADDITIONAL INFORMATION

TOWN OF DAVIE POLICE PENSION PLAN

SCHEDULE OF INVESTMENT AND ADMINISTRATIVE EXPENSES

Year ended September 30, 2015

	2015	
	Investment Expenses	Administrative Expenses
Actuary fees	\$ -	\$ 46,869
Administrator's fees	-	48,000
Audit fees	-	17,200
Custodial fees	41,555	-
Dues and subscriptions	-	1,435
Directors' insurance	-	1,583
Investment managers' fees:		
TAMRO Capital Partners	99,247	-
Lyrical Asset Management, L.P.	26,597	-
Garcia Hamilton & Associates, L.P. (FX)	97,318	-
Garcia Hamilton & Associates, L.P. (EQ)	48,972	-
Snow Capital Management, L.P.	19,287	-
Rhumblin Advisers, L.P.	11,942	-
Buckhead Capital Management (EQ)	15,564	-
Buckhead Capital Management (FX)	8,654	-
Johnstone Asset Management Corporation	37,112	-
State Street Global Advisors	7,977	-
Legal fees	-	20,320
Office expenses	-	328
Performance monitor	62,014	-
Seminar and travel expense	-	16,429
	\$ 476,239	\$ 152,164
Percentage of plan net position	0.39%	0.12%