

**RETIREMENT PLAN FOR THE FIREFIGHTERS
OF THE SOUTHERN MANATEE
FIRE & RESCUE DISTRICT**

**FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT AUDITOR**

**YEAR ENDED
SEPTEMBER 30, 2016**

Open items:

- signed MRL
- signed ACK

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Retirement Plan for the Firefighters of the
Southern Manatee Fire & Rescue District
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Retirement Plan for the Firefighters of the Southern Manatee Fire & Rescue District (the "Plan"), which comprise the statement of fiduciary net position as of September 30, 2016, the 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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amount 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 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, information regarding the Retirement Plan for the Firefighters of the Southern Manatee Fire & Rescue District's fiduciary net position as of September 30, 2016, and the changes therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Schedule of Changes in the District's Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Investment Returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management 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

Retirement Plan for the Firefighters of the
Southern Manatee Fire & Rescue District
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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 these basic financial statements is not affected by this missing information.

STROEMER & COMPANY, LLC
Fort Myers, Florida
March 13, 2017

Draft

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2016**

	<u>Amount</u>
ASSETS	
Cash	\$ 244,216
State excise tax supplement receivable	23,800
Investments, at fair value:	
Pooled/common/commingled funds:	
Bond funds	12,027,648
Equity funds	15,263,513
International funds	<u>2,991,649</u>
Total investments at fair value	<u>30,282,810</u>
TOTAL ASSETS	<u>30,550,826</u>
LIABILITIES	<u>-</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 30,550,826</u></u>

The accompanying notes are an integral part of this statement.

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year ended September 30, 2016**

	<u>Amount</u>
ADDITIONS TO NET POSITION ATTRIBUTED TO:	
Contributions:	
Employer	\$ 1,709,287
Plan members	162,048
State contributions	<u>380,302</u>
TOTAL CONTRIBUTIONS	<u>2,251,637</u>
Investment income (expense):	
Net appreciation in fair value of investments	2,239,145
Less: investment expenses	<u>(37,004)</u>
NET INVESTMENT INCOME	<u>2,202,141</u>
TOTAL ADDITIONS TO NET POSITION	<u>4,453,778</u>
DEDUCTIONS FROM NET POSITION ATTRIBUTABLE TO:	
Benefits and refunds	680,847
Administrative expenses	<u>27,654</u>
TOTAL DEDUCTIONS FROM NET POSITION	<u>708,501</u>
Net increase in net position	3,745,277
Net position restricted for pensions	
Beginning of year, October 1, 2015	<u>26,805,549</u>
END OF YEAR, September 30, 2016	<u><u>\$ 30,550,826</u></u>

The accompanying notes are an integral part of this statement.

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

NOTE A - DESCRIPTION OF PLAN

The following description of the Retirement Plan for the Firefighters of the Southern Manatee Fire & Rescue District (the "Plan") provides only general information. Participants should refer to the Plan Document or Adoption Agreement for a more complete description of the Plan's provision.

The Plan is a defined benefit pension plan covering all full-time Firefighters of the Southern Manatee Fire & Rescue District (the "District").

At September 30, 2016, the Plan's membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to, but not yet receiving benefits	13
Active plan members participating in the Deferred Retirement Option Plan	6
Active plan members	71
Total	<u>104</u>

General

The Plan is a defined benefit pension plan covering all sworn firefighters of the District. Participation in the Plan is required as a condition of employment. Established in March 1997, the Plan provides for pension, death and disability benefits, and is subject to the provisions of Chapter 175 of the State of Florida Statutes.

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

Pension benefits

Credited Service - The total number of years and fractional parts of years of service as a member in the Plan during which the member made required contributions to the Plan, omitting intervening years or fractional parts of year when the member was not employed by the District.

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

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NOTE A - DESCRIPTION OF PLAN, CONTINUED

Pension benefits, continued

Monthly accrued benefit - The monthly accrued benefit is equal to the number of years of Credited Service as a full-time firefighter, excluding all volunteer service, multiplied by 3.50% for all years of Credited Service and multiplied by average final compensation.

Average final compensation - average of the highest three years of compensation out of the last 10 years of employments, or career average, if higher.

Payment options - the Plan offers a variety of payment options as defined by the Plan, including, 10 year certain and life annuity, actuarially reduced joint and life annuities, and other options.

Normal retirement age - normal retirement age is defined as:

- a. Age 55 with at least 10 years of Credited Service, or
- b. Any with at least 25 years of Credited Service.

Early retirement age - participants who have reached the age of 50 and have 10 years of Credited Service are eligible for early retirement. Benefits are reduced by a maximum of 3.00% for each year by which the participant's early retirement date precedes the normal retirement date.

Death and disability - death and disability benefits are as follows:

- a. Disability in the line of duty - a participant deemed to be totally and permanently disabled from a service-connected injury or disease will receive the greater of a monthly pension equal to 42% of the average monthly salary at the time of the disability or an amount equal to the accrued retirement benefit.
- b. Disability not in the line of duty - a participant deemed to be totally and permanently disabled from a non-service related injury or disease, and who has at least 10 years of Credited Service, will receive the greater of a monthly pension equal to 25% of the average monthly salary at the time of the disability or an amount equal to the accrued retirement benefit. A participant with less than 10 years of Credited Service will receive a return of the employee contributions only.

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

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NOTE A - DESCRIPTION OF PLAN, CONTINUED

Pension benefits, continued

- c. Death in the line of duty - for any participant who dies in the line of duty (vested or non-vested), the participant's beneficiary shall receive the greater of the benefits otherwise payable at the early or normal retirement date, or a monthly benefit of 50% of the Participant's monthly salary at the time of death, payable for the beneficiary's lifetime.
- d. Death not in the line of duty - for any participant whose death was not in the line of duty, and the participant has at least 10 years of Credited Service, the participant's beneficiary shall receive the benefits otherwise payable to the Participant at the Participant's early or normal retirement date. If the participant has less than 10 years of Credited Service, the participant's beneficiary shall receive 100% of the Participant's employee contributions without interest.

Retirement Supplement - the Plan provides for a monthly supplement to normally and disabled retired participants to assist with the cost of health insurance. The supplement is equal to \$15 times the number of years of Credited Service, with a maximum benefit of \$450.

Contributions and funding

Covered firefighters are required to contribute 3.50% of their salary to the Plan. The District makes contributions based on actuarially determined minimum funding requirements. Additionally, the State of Florida contributes insurance premium taxes which are used to help reduce the District's portion of its minimum funding requirement.

Vesting

Members are 100% vested in their contributions and earnings thereon at all times. Members become 100% vested in employer contributions and earnings thereon after completing 10 years of credited service.

Deferred Retirement Option Plan (DROP)

Members who qualify for normal retirement may enroll in DROP. Members who enroll in DROP may remain active employees for up to eight years (96 months). Upon enrollment, members' monthly benefits accrue, and earn interest at the rate of 6.50%, until such time that they leave the DROP program. Additionally, upon enrollment, members are no longer

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

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NOTE A - DESCRIPTION OF PLAN, CONTINUED

Deferred Retirement Option Plan (DROP), continued

eligible for disability or pre-retirement death benefits, nor can they receive any additional years of Credited Service. As of September 30, 2016, the Plan had four participants enrolled in DROP, and accrued benefits totaled \$642,275.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Plan member contributions are recognized in the period in which the contributions are due. District contributions to the plan as calculated by the Plan's actuary, are recognized as revenue when due and the District 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 Pension Plans- and amendment of GASB Statement No. 25" 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 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 document.

Valuation of investments and investment income

Plan investments are carried at fair market value based on quoted market prices of the underlying investments.

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. The Plan is collectively

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Valuation of investments and investment income, continued

managed with other government's plans. Investment income is allocated to each plan as a net amount, as it is not feasible to specifically allocate appreciation (depreciation) by individual component.

Custody of assets

Custodial and investment services are provided to the Plan under a contract with the Florida Municipal Pension Trust Fund/Florida League of Cities, Inc. The Plan's investment policies are governed by Resolutions of the District and State of Florida Statutes.

Authorized plan investments

The Board recognizes that the obligations of the Plan are long-term and that 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.

Under Chapter 175, permissible investments include obligations of the U.S. Treasury and U.S. agencies, annuities and life insurance contracts, time deposits insured by the FDIC, and large capitalization common or preferred stocks, pooled equity funds and high quality bonds, notes or fixed income funds administered by national or state banks.

Additionally, Chapter 175 places the following restrictions on selected equity securities:

- a. No more than five percent of the Plan's assets may be invested in the common or capital stock of any single corporation.
- b. The Plan's investment in the common stock of any single corporation shall not exceed five percent of such corporation's outstanding common or capital stock.
- c. The aggregate value of investments in common stock, capital stock and convertible securities at market value cannot exceed 50% of the Plan's assets.

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Actuarial cost method

The Plan utilizes the Aggregate Cost Method for funding purposes. Under this cost method, a funding cost is developed for the plan as a level percentage of payroll. The level percentage is calculated as the excess of the total future benefit liability over accumulated assets and future employee contributions, with this excess spread over the expected future payroll for current active participants. The normal cost is equal to the level funding percentage multiplied by the expected payroll for the year immediately following the valuation date. The actuarial accrued liability is equal to the accumulated assets. Under this cost method, no unfunded accrued liability is developed.

Reporting entity

The financial statements presented are only for the Plan and are not intended to present the basic financial statements of the Southern Manatee Fire & Rescue District. The Plan is included in the District's Annual Financial Statements for the year ended September 30, 2016 which is a separately issued document. Anyone wishing further information about the District is referred to the District's Financial Statements. The Plan is a pension trust fund (fiduciary fund type) of the District which accounts for the single employer defined benefit pension plan for all District Firefighters. The provisions of the Plan provide for retirement, disability, and survivor benefits.

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.

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 statement of fiduciary net position.

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

NOTE C - DEPOSITS AND INVESTMENTS

Deposits and investments

The Plan adheres to State Statutes and prudent business practices. By decision of the Board of Trustees, the Plan is affiliated with the Florida Municipal Pension Trust Fund ("FMPTF"). As a result, the Plan's assets are held with FMPTF an agent multiple employer pension plan administered by the FMPTF Board of Trustees. The FMPTF issues a publicly available report that includes the combined financial statements of all plan members. Separate accounts are maintained for each employer group. Investment management and custodial fees are calculated quarterly as a percentage of the fair market value of the Plan's managed assets.

The plan follows the investment policies of the FMPTF. The Master Trustees of the FMPTF have the exclusive authority and discretion to manage and control the assets of the FMPTF. The District has elected to participate in the FMPTF 60/40 Target Fund. The maximum target asset allocation for equities is 60%. The following was the adopted asset allocation policy as of September 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	60%
Large Cap	39%
Small Cap	11%
International	10%
Fixed Income	40%
Core Bonds	16%
Core Plus	24%

All employee pension plans assets with the FMPTF are included in the trust's master Trust Fund. Employee pension plan assets of the defined benefit type are invested by the FMPTF through the Florida Municipal Investment Trust ("FMIvT") for the benefit of the Participating Employers, Participating Employees and Beneficiaries. The FMIvT is a Local Government Investment Pool (LGIP) and, therefore, considered an external investment pool. The plans have a beneficial interest in shares in the FMIvT portfolios listed below. The plan's investment is the beneficial interest in the FMIvT portfolio, not the individual securities held within each portfolio.

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

NOTE C - DEPOSITS AND INVESTMENTS, CONTINUED

The Plan had 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.

As of September 30, 2016, the asset allocations for the various investment models were as follows:

Investment	Fair Market Value	Percentage of Portfolio
Cash	\$ 244,216	0.80%
Pooled, common, comingled funds:		
Bond funds	12,027,648	39.40%
Equity funds	15,263,513	50.00%
International equity funds	2,991,649	9.80%
	\$ 30,527,026	100.00%

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.

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 Fitch 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.

The Plan's investments had the following credit structure at September 30, 2016:

Investment Type	Fair Value	Rating	Modified Duration
Equity funds	\$ -	Not rated	NA
Fixed income funds	12,027,648	AA/V4 *	2.04 - 4.45 years
International equity funds	-	Not rated	NA
	\$ 12,027,648		

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

NOTE C - DEPOSITS AND INVESTMENTS, CONTINUED

Credit risk, continued

* The FMIVT Core Plus Fixed Income Fund is not rated, but the fund is included in the modified duration disclosure.

Concentration risk

Pursuant to GASB 40, *Deposit and Investment Risk Disclosures*, disclosure is only required if investments are uninsured, unregistered and held by either the counterparty or the counterparty's trust department or agent but not in the government's name.

Participating Employers' investments through the FMPTF in the FMIVT are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

GASB 40 requires disclosure if 5% or more of the total fiduciary net position is invested with one issuer. However, investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other investments are excluded from the concentration of credit risk disclosure requirements. Since 100% of plan assets are in an investment pool, disclosure is not required.

Rate of return

For the year ended September 30, 2016, the annual money weighted rate of return on plan investments, net of investment expense was less than 8.21%. The money weighted rate of return express investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE D - NET PENSION LIABILITY

The components of the net pension liability of the District as it pertains to this Plan at September 30, 2016 were as follows:

	<u>Amount</u>
Total pension liability	\$ 36,507,111
Plan fiduciary net position	<u>(30,448,464)</u>
District's net pension liability	<u>\$ 6,058,647</u>

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

NOTE D - NET PENSION LIABILITY, CONTINUED

Plan fiduciary net position as a percentage of the total pension liability	<u><u>83.40%</u></u>
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The fiduciary net position used by the actuary does not agree with the Plan's fiduciary net position. The actuary does not include excess state monies available or the state supplemental payment receivable. The following reconciliation summarizes these differences.

	Amount
Fiduciary net position - plan level	\$ 30,550,826
Less:	
Excess state funds	(78,562)
Contributions receivable - state funds	<u>(23,800)</u>
Fiduciary net position - actuarial value	<u><u>\$ 30,448,464</u></u>

The total pension liability, net pension liability and certain sensitivity information were determined by an actuarial valuation as of October 1, 2015, updated to September 30, 2016 using the following actuarial assumptions applied to all measurement periods:

- Salary increases

4.50%
- Investment rate of return

7.00%
- Cost of living increases

0.00%
- Mortality rates were based on the sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA as published by the Internal Revenue Service. Future generational improvements in mortality have not been reflected.
- 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

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

NOTE D - NET PENSION LIABILITY, CONTINUED

produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Core bonds	16.00%	0.58%
Multi-sector	24.00%	1.08%
U.S. large cap equity	39.00%	6.08%
U.S. small cap equity	11.00%	6.83%
Non-U.S. equity	10.00%	6.83%

- The discount rate used to measure the total pension liability was 7.00%. 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.
- Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the District, as it pertains to this Plan, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's net pension liability (asset)	\$ 11,274,822	\$ 6,058,647	\$ 1,766,231

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

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NOTE D - NET PENSION LIABILITY, CONTINUED

- Subsequent to the prior measurement date, the discount rate was decreased from 9.08% to 7.00%.

NOTE E - FAIR VALUE MEASUREMENTS

The Governmental Accounting Standards Board ("GASB") has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- * Quoted prices for similar assets or liabilities in active markets
- * Quoted prices for identical or similar assets or liabilities in inactive markets
- * Inputs other than quoted prices that are observable for the asset or liability
- * Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of September 30, 2016.

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

NOTE E - FAIR VALUE MEASUREMENTS, CONTINUED

External Investment Pool - Valued at the NAV of units of the pool. The NAV as provided by the Pool, is used as a practical expedient to estimate fair value. The NAV is based on the underlying investments held by the pool.

	Assets at fair value as of September 30, 2016			
	(Level 1)	(Level 2)	(Level 3)	Total
External investment pool				
Bond funds	\$ -	\$ 4,762,216	\$ 7,265,432	\$ 12,027,648
Equity funds	-	15,263,513	-	15,263,513
International funds	-	2,991,649	-	2,991,649
Total investments	\$ -	\$ 23,017,378	\$ 7,265,432	\$ 30,282,810

NOTE F - PLAN TERMINATION

Although it has not expressed any intention to do so, the Plan may be terminated by the District at any time by a written resolution of the Board of Commissioners of Southern Manatee Fire & Rescue District, duly certified by an official of the District. 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 and would be 100% vested.

NOTE G - SUBSEQUENT EVENTS

Management has assessed subsequent events through March 13, 2017, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Draft

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY
AND RELATED RATIOS (UNAUDITED)**

Last 3 Fiscal Years

<i>September 30,</i>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:			
Service cost	\$ 1,229,781	\$ 747,705	\$ 877,974
Interest (expected growth)	1,832,081	2,454,433	1,962,192
Difference between expected and actual experience	577,969	53,998	-
Changes of assumptions	8,117,345	(3,275,125)	-
Benefit payments, including refunds of employee contributions	<u>(680,847)</u>	<u>(1,223,598)</u>	<u>(510,607)</u>
Net Change in Total Pension Liability	11,076,329	(1,242,587)	2,329,559
Total Pension Liability - Beginning of Year	<u>25,430,782</u>	<u>26,673,369</u>	<u>24,343,810</u>
Total Pension Liability - End of Year (a)	<u>\$ 36,507,111</u>	<u>\$ 25,430,782</u>	<u>\$ 26,673,369</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 1,743,304	\$ 1,529,167	\$ 1,387,349
Contributions - state	380,302	307,374	318,994
Contributions - employee	162,048	152,860	143,926
Net investment income	2,239,144	(28,475)	1,982,480
Benefit payments, including refunds of employee contributions	(680,847)	(1,280,101)	(533,368)
Administrative expenses	(64,657)	(63,768)	(59,008)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	3,779,294	617,057	3,240,373
Plan Fiduciary Net Position - Beginning of Year	<u>26,669,170</u>	<u>26,052,113</u>	<u>22,811,740</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 30,448,464</u>	<u>\$ 26,669,170</u>	<u>\$ 26,052,113</u>
Net Pension Liability (Asset) - End of Year (a) - (b)	<u>\$ 6,058,647</u>	<u>\$ (1,238,388)</u>	<u>\$ 621,256</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Assets)	83.40%	104.87%	97.67%
Covered Employee Payroll	\$ 4,221,200	\$ 4,067,897	\$ 3,876,548
Net Pension Liability as a Percentage of Covered Employee Payroll	143.53%	NA	16.03%

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
Last 3 Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 2,286,726	\$ 1,843,933	\$ 1,749,319
Contributions in relation to the actuarially determined contributions	<u>2,123,606</u>	<u>1,836,541</u>	<u>1,749,319</u>
Contribution deficiency (excess)	<u>\$ 163,120</u>	<u>\$ 7,392</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 4,221,200	\$ 4,067,897	\$ 3,876,548
Contributions as a Percentage of Covered Employee Payroll	50.31%	45.15%	45.13%
<u>Notes to Schedule</u>			
Valuation date	10/1/2015	10/1/2014	10/1/2013

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)
Last 3 Fiscal Years**

The table below summarizes the annual money-weighted rate of return, net of investment expenses:

<u>September 30,</u>	<u>Rate of Return</u>
2016	8.21%
2015	< (0.01%)
2014	8.90%

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**RETIREMENT PLAN FOR THE FIREFIGHTERS OF THE
SOUTHERN MANATEE FIRE & RESCUE DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
September 30, 2016**

ACTUARIAL ASSUMPTIONS

The following actuarial method and assumptions were used to determine contribution rates for the year September 30, 2016:

Funding method	Aggregate Cost Method
Amortization method	Level Percentage of Pay, Open
Remaining amortization period	30 years
Asset smoothing methodology	The actuarial value of assets is equal to the market value
Inflation	None
Salary increases	4.50% per year
Interest rate	7.00% per year, compounded annually
Cost-of-living adjustment	None
Retirement age	Based on normal retirement age of 55: 10% during each of the three years prior to normal retirement 40% at normal retirement age 20% at each of the two years after normal retirement 100% after three years of normal retirement
Mortality	Sex-distinct rates set forth in the RP-2000 Mortality Table for non-annuitants, projected to 2015 by Scale AA, as published by the IRS for purposes of IRC Section 430. The assumption is the same for pre-retirement and post-retirement mortality

ACTUARIAL ASSUMPTIONS, CONTINUED

Termination rates With respect to participants with less than 10 years of service, the termination rates are both gender- and service-based, as follows:

Years of Service	Male	Female
< 2 yrs.	15.00%	10.01%
8-10 yrs.	4.30%	4.75%

With respect to participants with more than 10 years of service, the termination rates are both gender- and age-based, as follows:

Age	Male	Female
25	4.28%	5.41%
55	0.00%	0.00%

Disability rates Age- and gender-based rates of disability were assumed, as follows:

Age	Male	Female
25	0.067%	0.040%
35	0.119%	0.118%
45	0.462%	0.435%
55	1.000%	0.840%