

**CITY OF BROOKSVILLE
FIREFIGHTERS' RETIREMENT
TRUST FUND**

FINANCIAL STATEMENTS
September 30, 2016 and 2015

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

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

September 30, 2016 and 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
City of Brooksville Firefighters'
Retirement Trust Fund
Brooksville, Florida

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the City of Brooksville Firefighters' Retirement Trust Fund (Plan), which comprise the statements of fiduciary net position as of September 30, 2016 and 2015, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

The Board of Trustees
City of Brooksville Firefighters'
Retirement Trust Fund
Brooksville, 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 City of Brooksville Firefighters' Retirement Trust Fund as of September 30, 2016 and 2015, and the changes in fiduciary net position for the years the ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying required supplementary information on pages 27 through 32 of the City of Brooksville Firefighters' Retirement Trust Fund is required by Governmental Accounting Standards Board Statement No. 67 and is 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 & Crestino, P.L.

June 5, 2017

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

STATEMENTS OF FIDUCIARY NET POSITION

September 30, 2016 and 2015

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Cash	\$ 2,229	\$ 698
Receivables:		
Plan Members	980	-
Employer	21,670	-
State excise tax rebate supplement	-	4,502
Interest and dividends	17,360	19,175
Broker-dealers	<u>-</u>	<u>-</u>
Total receivables	40,010	23,677
Investments at fair value:		
U.S. government securities	182,770	182,133
U.S. government agencies	609,735	655,692
Corporate obligations	1,143,317	1,148,264
International fixed investment fund	224,017	244,330
Common stock	2,068,220	2,072,715
Domestic equity investment fund	560,704	545,366
International equity investment funds	712,267	743,143
Temporary investments	<u>202,500</u>	<u>308,749</u>
Total investments	5,703,530	5,900,392
Prepaid expenses	<u>33,243</u>	<u>31,832</u>
Total assets	5,779,012	5,956,599
<u>Liabilities</u>		
Accounts payable	11,526	11,959
Accounts payable, broker-dealers	<u>-</u>	<u>-</u>
Total liabilities	<u>11,526</u>	<u>11,959</u>
Net position restricted for pensions	<u>\$ 5,767,486</u>	<u>\$ 5,944,640</u>

See Notes to Financial Statements.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Additions:		
Contributions:		
Employer	\$ 301,515	\$ 236,142
Plan members	<u>24,485</u>	<u>20,904</u>
Total contributions	326,000	257,046
Intergovernmental revenue:		
State excise tax rebate	71,580	76,947
State excise tax rebate supplement	<u>-</u>	<u>4,502</u>
Total intergovernmental revenue	71,580	81,449
Investment income (loss):		
Net investment appreciation (depreciation) in fair value of investments	230,449	(234,340)
Interest	83,930	84,376
Dividends	72,733	100,892
Other	<u>340</u>	<u>301</u>
Total investment income (loss)	387,452	(48,771)
Less investment expenses	<u>39,238</u>	<u>42,534</u>
Net investment income (loss)	<u>348,214</u>	<u>(91,305)</u>
Total additions	745,794	247,190
Deductions:		
Benefits:		
Age and service	366,731	297,413
Disability	-	-
Drop payments	509,106	-
Refunds of contributions	5,458	16,134
Administrative expenses	<u>41,653</u>	<u>46,508</u>
Total deductions	<u>922,948</u>	<u>360,055</u>
Net increase (decrease) in net position	(177,154)	(112,865)
Net position restricted for pensions:		
Beginning of year	<u>5,944,640</u>	<u>6,057,505</u>
End of year	<u>\$ 5,767,486</u>	<u>\$ 5,944,640</u>

See Notes to Financial Statements.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

1. Description of the Plan

The following brief description of the Brooksville Firefighters' Retirement Trust Fund (Plan) is provided for general information purposes only. Participants should refer to the Plan Agreement for more complete information.

General - The Plan was created in 1941 under a City Ordinance in accordance with Chapters 19 and 112, Laws of Florida, Acts of 1939 as amended. The Plan was substantively amended in 2002, 2004, 2005, 2009, and 2010.

The Plan is a defined benefit pension plan covering all full-time firefighters and volunteers carried in the active membership rolls of the Fire Department of the City of Brooksville, Florida (City). Participation in the Plan is required as a condition of employment. The Plan provides for pension, death and disability benefits. In addition, the Plan is a local law plan subject to provisions of Chapter 175 of the State of Florida Statutes.

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

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

Retirees and beneficiaries:

Currently receiving benefits	18
DROP retirees	1
Terminated employees entitled to benefits but not yet receiving them	<u>16</u>
Total	<u><u>35</u></u>

Current employees (including volunteer firefighters):

Vested	8
Nonvested	<u>8</u>
Total	<u><u>16</u></u>

At September 30, 2015, the date of the most recent actuarial valuation, there were 17 retirees and beneficiaries receiving benefits.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS September 30, 2016 and 2015

1. Description of Plan (Continued)

Pension Benefits - The pension plan provides retirement, death and disability benefits for its participants. A participant may retire with normal benefits after reaching age 55 and accumulating 10 or more years of credited service at age 60 regardless of credited years of service or the completion of 20 years of credited service regardless of age. Normal retirement benefits shall equal 3.1% of the participant's average final compensation times the number of his or her credited service years. The final average salary for purposes of calculating benefits is the greater of the participant's average salary during the highest 5 years of a participant's last ten years of credited service or the participant's career average as a full-time firefighter.

A participant with 10 or more years of credited service is eligible for deferred retirement. These benefits begin upon application on or after reaching age 50 and are computed the same as normal retirement, based upon the participant's final average salary and credited service at the date of termination. Benefits are reduced 3% per year for each year by which the participant's age at retirement preceded the participant's normal retirement age.

Deferred Retirement Option Plan - Any Plan participant who is eligible to receive an early or normal retirement pension may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a firefighter. Upon participation in the DROP, the participant becomes a retiree for all Plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. Participation in the DROP ceases for a Plan participant after sixty months.

Partial Lump Sum Option Plan (PLOP) - A participant that does not elect to participate in the DROP may elect to receive an initial lump-sum payment equal to 10%, 15%, 20% or 25% of the participant's accrued benefit with the remaining 90%, 85%, or 75%, respectively, payable in a form elected by the participant.

Cost of Living Adjustments - A three percent post retirement cost of living adjustment is provided for normal and early retirees who have attained age 55 on or before January 1st. The last adjustment will be made on the January 1st following the year that the retiree attains age sixty-five.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS September 30, 2016 and 2015

2. Description of Plan (Continued)

Disability Benefits - Disability benefits for service related disabilities are paid to a participant for life. Benefits are calculated at 3% of the participant's average final compensation multiplied by the total years of credited service but will not be less than 42% of the participant's average final compensation.

Disability benefits for non-service related disabilities are paid to a participant for life. Benefits are calculated as the accrued normal retirement amount if the disability occurs after normal retirement eligibility. If the disability occurs before normal retirement eligibility and the participant has completed ten or more years of credited service, the disability benefit is computed as the normal retirement benefit.

Death Benefits - Preretirement death benefits for service related deaths are payable to the participant's eligible beneficiary for ten years. Benefits are calculated as for normal or early retirement as of the date of death.

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

2. Summary of Significant Accounting Policies

Basis of Accounting - Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Plan member contributions are recognized in the period in which the contributions are due. City contributions to the plan as calculated by the Plan's actuary, are recognized as revenue when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Basis of Presentation - The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for 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 and the amendments thereto.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	45%
International equity	15
Domestic fixed	35
Global fixed	<u>5</u>
Total	<u><u>100%</u></u>

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS September 30, 2016 and 2015

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

Rate of Return - For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 6.14 percent adjusted for the changing amounts actually invested.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custody of Assets - Custodial and investment services are provided to the Plan under contract with a national trust company having trust powers. The Plan's investment policies are governed by Florida State Statutes and ordinances of the City of Brooksville, Florida.

Authorized Plan Investments - The Board recognizes that the obligations of the Plan are long-term and that its investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the prudent investor rule and Chapter 175 of the Florida Statutes.

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. In addition, the Board requires that Plan assets be invested with no more than 65% 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 Policy Statement.

Actuarial Cost Method - The Plan has elected the Entry Age Normal method for funding purposes. This method involves the systematic funding of the normal lost and the unfunded accrued (past service) liability.

Reporting Entity - The financial statements presented are only for the Plan and are not intended to present the basic financial statements of the City of Brooksville, Florida.

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

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS September 30, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

The Plan is included in the City's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2016 and 2015, which are separately issued documents. Anyone wishing further information about the City is referred to the City's CAFR.

Funding Policy - Participants are required to contribute 3.29% of their annual earnings to the Plan effective October 1, 2010. Prior to October 1, 1993, contributions to the System were made on an after-tax basis. Subsequent to this date, contributions are made on a pre-tax basis pursuant to an amendment to the Plan. These contributions are designated as employer contributions under Section 414(h)(2) of the Internal Revenue Code. Contribution requirements of the Plan's participants are established and may be amended by the City of Brooksville, Florida.

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

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

The City's actuarially determined contribution rate for the year ended September 30, 2016 and 2015 was 38.83% and 37.65%, respectively. This rate consists of 14.38% and 15.34% of member salaries to pay normal costs plus 24.45% and 22.31% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2015 actuarial valuation.

Administrative Costs - All administrative costs of the Plan are financed through investment earnings. The Plan has no undue investment contributions.

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

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS September 30, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk and Uncertainties - The Plan invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

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 - Governmental Accounting Standards Board (GASB) 67, *Financial Reporting for Pension Plans* and GASB 68, *Accounting & Financial Reporting for Pensions (Employer)*, address accounting and financial reporting requirements for pension plan activities. The City of Brooksville Firefighters' Retirement Trust Fund (Plan) is a single employer pension plan as defined by GASB 67. The requirements for GASB 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

GASB 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS September 30, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

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

3. Investments

Investment management fees are calculated quarterly as a percentage of the fair market value of the Plan's assets managed.

The Plan's investments are segregated into separate accounts and managed under investment agreements with Dana Investment Advisors, Inc. (Dana) and Agincourt Capital Management, LLC (Agincourt), international equity investment funds, and a domestic equity investment fund and an international fixed investment fund. These accounts give Salem Trust Company (Salem) the custodianship, but gives Dana, Agincourt and the individual investment funds the authority to manage the investments. Investment management fees are calculated quarterly as a percentage of fair market value of the Plan's assets managed.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

3. Investments (Continued)

The Plan's investments are uninsured and unregistered and are held in the custodian's of the Bank's accounts in the Plan's name.

The Plan carried no investments that individually represented 5% or more of the Plan's net assets available for benefits as of September 30, 2016 and 2015.

The Plan also has no instrument that, in whole or in part, is accounted for as a derivative instrument under GASB statement No. 53, Accounting and Financial Reporting for Derivative Instruments during the current Plan year.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating Standard & Poor's</u>	<u>Effective Duration (Years)</u>
U.S. government securities	\$ 182,770	AA	6.8
U.S. government agencies	609,735	AA	7.5
Corporate obligations	1,143,317	BBB-AA	5.2
Temporary investment funds	<u>202,500</u>	AAA	Daily
Total investments	<u>\$ 2,138,322</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 exposure to interest rate risk. 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 Merrill Lynch Government/Corporate Bond Index bench mark.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS September 30, 2016 and 2015

3. 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 partnerships are considered *unclassified* pursuant to the custodian credit risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book-entry form.

Investment 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 Plan will make a formal application for refund. Such reclaims are included as an addition to dividend income.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

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

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

	2016		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
U.S. government securities	\$ 3,155	\$ 9,671	\$ 12,826
U.S. government agencies	(2,974)	(1,375)	(4,349)
Corporate obligations	(2,621)	50,553	47,932
International fixed investment fund	(4,656)	3,132	(1,524)
Domestic equity investment fund	10,941	50,402	61,343
International equity investment funds	(13,927)	42,903	28,976
Common stock	30,191	55,054	85,245
	<u>\$ 20,109</u>	<u>\$ 210,340</u>	<u>\$ 230,449</u>
Net increase (decrease) in realized and unrealized appreciation (depreciation) of investments	<u>\$ 20,109</u>	<u>\$ 210,340</u>	<u>\$ 230,449</u>
	2015		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
U.S. government securities	\$ 7,705	\$ (832)	\$ 6,873
U.S. government agencies	(1,067)	334	(733)
Corporate obligations	(516)	(28,381)	(28,897)
International fixed investment fund	(5,273)	(42,425)	(47,698)
Domestic equity investment fund	16,903	(29,406)	(12,503)
International equity investment funds	(11,965)	(105,423)	(117,388)
Common stock	236,340	(270,334)	(33,994)
	<u>\$ 242,127</u>	<u>\$ (476,467)</u>	<u>\$ (234,340)</u>
Net increase (decrease) in realized and unrealized appreciation (depreciation) of investments	<u>\$ 242,127</u>	<u>\$ (476,467)</u>	<u>\$ (234,340)</u>

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

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

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

Unrealized gains and losses on investments sold in 2016 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

5. Investments

Investments at both fair value and cost as of September 30, 2016 and 2015, are summarized as follows:

2016		
Investment	Cost	Fair Value
U.S. government securities	\$ 172,397	\$ 182,770
U.S. government agencies	598,849	609,735
Corporate obligations	1,104,481	1,143,317
International fixed investment fund	265,971	224,017
Common stock	1,836,946	2,068,220
Domestic equity investment fund	419,640	560,704
International equity investment funds	798,213	712,267
Temporary investments	202,500	202,500
Total	<u>\$ 5,398,997</u>	<u>\$ 5,703,530</u>

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

5. Investments (Continued)

2015		
<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. government securities	\$ 181,432	\$ 182,133
U.S. government agencies	643,431	655,692
Corporate obligations	1,159,981	1,148,264
International fixed investment fund	289,416	244,330
Common stock	1,896,495	2,072,715
Domestic equity investment fund	454,703	545,366
International equity investment funds	871,992	743,143
Temporary investments	308,749	308,749
Total	<u>\$ 5,806,199</u>	<u>\$ 5,900,392</u>

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

6. Administrative and Investment Expenses

Administrative and investment expenses for the year ended September 30, 2016 and 2015 are summarized as follows:

	2016		2015	
	Administrative Expenses	Investment Expenses	Administrative Expenses	Investment Expenses
Administrative and investment expenses:				
Administrator	\$ 5,500	\$ -	\$ 6,500	\$ -
Actuary fees	18,617	-	17,569	-
Legal fees	5,720	-	6,652	-
Audit fees	8,000	-	10,500	-
Fiduciary insurance	2,610	-	2,773	-
Performance monitor	-	15,500	-	15,500
Office supplies and expense	-	-	29	-
Seminars and travel	1,206	-	2,485	-
Agincourt Capital Management, LLC - Management Fee	-	5,030	-	5,069
Dana Investment Advisors, Inc. - Management Fee	-	13,731	-	14,715
Custodian's fee	-	4,977	-	7,250
	<u>41,653</u>	<u>39,238</u>	<u>46,508</u>	<u>42,534</u>
 Total administrative and investment expenses	<u>\$ 41,653</u>	<u>\$ 39,238</u>	<u>\$ 46,508</u>	<u>\$ 42,534</u>
 Percentage of administrative and investment expenses to net position	<u>0.72%</u>	<u>0.68%</u>	<u>0.78%</u>	<u>0.71%</u>

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

7. Plan Amendments

The Plan was not amended during the fiscal years ended September 30, 2016 and 2015.

8. Designations

A portion of the plan net position are designated for benefits that accrue in relation to the DROP accounts as further described in Note 1. Allocations to the DROP accounts for the year ended September 30, 2016 and are presented below as determined in the most recent quarterly actuarial calculation available as of September 30, 2016.

Designated for DROP accounts (fully funded)	<u>\$ 104,493</u>
Total designated plan net position	104,493
Undesignated plan net position	<u>5,662,993</u>
Total plan net position	<u>\$ 5,767,486</u>

9. Mortgaged-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.

All of the Plan's financial investments are carried at fair value on the Statement of Fiduciary Net Position included in investments. The gain or loss on financial instruments is recognized and recorded on the Statement of Changes in Fiduciary Net Position as part of investment income.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS September 30, 2016 and 2015

10. Plan Termination

Although it has not expressed an intention to do so, the City may terminate the Plan at any time by a written ordinance of the City Commission of Brooksville, duly certified by an official of the City. In the event that the Plan is terminated or contributions to the Plan are permanently discontinued, the benefits of each firefighter in the Plan at such termination date would be non-forfeitable.

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 City prior to being eligible for pension benefits. At September 30, 2016 aggregate contributions from active members of the Plan were approximately \$293,000 . The portion of these contributions which are refundable to participants who may terminate with less than ten years of service has not been determined.

13. Actuarial Assumption/Method Changes

Since the prior valuation the mortality table has changed to comply with Chapter 2015-157, Laws of Florida to be the same rates as used in the July 1, 2015 Florida Retirement System valuation for special risk lives. Additionally, the payroll growth assumption was lowered from 0.47% to 0.0% to comply with the Florida Statutes.

14. Investment Measurement of Fair Value

Fair Value Hierarchy

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

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

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

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS September 30, 2016 and 2015

14. Investment Measurement of Fair Value (Continued)

Fair Value Hierarchy (Continued)

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

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

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

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

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

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS September 30, 2016 and 2015

14. Investment Measurement of Fair Value (Continued)

Fair Value Hierarchy (Continued)

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

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

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

14. Investment Measurement of Fair Value (Continued)

Fair Value Hierarchy (Continued)

	September 30,	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	2016			
U.S. Government securities	\$ 182,770	\$ -	\$ 182,770	\$ -
U.S. Government agencies	609,735	-	609,735	-
Corporate obligations	1,143,317	-	1,143,317	-
International fixed investment fund	224,017	224,017	-	-
Domestic fixed investment funds	560,704	560,704	-	-
Common stock	2,068,220	2,068,220	-	-
International equity investment funds	712,267	712,267	-	-
Temporary investments	<u>202,500</u>	<u>202,500</u>	-	-
Total investments measured at fair value	<u>\$ 5,703,530</u>	<u>\$ 3,767,708</u>	<u>\$ 1,935,822</u>	<u>\$ -</u>

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

14. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

	September 30, 2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government securities	\$ 182,133	\$ -	\$ 182,133	\$ -
U.S. Government agencies	655,692	-	655,692	-
Corporate obligations	1,148,264	-	1,148,264	-
International fixed investment fund	244,330	244,330	-	-
Domestic fixed investment funds	545,366	545,366	-	-
Common stock	2,072,715	2,072,715	-	-
International equity investment funds	743,143	743,143	-	-
Temporary investment funds	<u>308,749</u>	<u>308,749</u>	-	-
Total investments measured at fair value	<u>\$ 5,900,392</u>	<u>\$ 3,914,303</u>	<u>\$ 1,986,089</u>	<u>\$ -</u>

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

15. Net Pension Liability of the City

The components of net pension liability of the City on September 30, 2016 were as follows:

Total pension liability	\$	7,178,420
Plan fiduciary net position		<u>5,767,486</u>
City's net pension liability	\$	<u><u>1,410,934</u></u>
Plan fiduciary net position as a percentage of total pension liability		<u><u>80.33%</u></u>

Actuarial Assumptions - The total pension liability was 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.

Inflation	2.50%
Salary increases	6.50%
Investment rate of return	7.75%
Discount rate	7.75%

Mortality Rate Healthy Lives

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP200 Generational, 20% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated March 28, 2012.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

15. Net Pension Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Target Allocation</u>	<u>Long-Term Expected Real Rate Asset Class</u>	<u>of Return</u>
45%	Domestic equity	7.50%
15%	International equity	5.60%
35%	Domestic fixed	2.50%
5%	Global fixed	3.50%

Discount Rate - The discount rate used to measure the total pension liability was 7.75 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.75%	7.75%	8.75%
City's Net Pension Liability	\$ <u>2,271,502</u>	\$ <u>1,410,934</u>	\$ <u>703,694</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

September 30, 2016

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY

Last Three Fiscal Years

	September 30, 2016	September 30, 2015	September 30, 2014
	<u> </u>	<u> </u>	<u> </u>
Total pension liability:			
Service Cost	\$ 127,478	\$ 122,018	\$ 140,185
Interest	531,653	533,301	528,252
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(103,758)	(277,496)	-
Changes of assumptions	213,065	-	-
Benefit payments, including refunds of employee contributions	<u>(881,295)</u>	<u>(313,547)</u>	<u>(301,642)</u>
Net change in total pension liability	(112,857)	64,276	366,795
Total pension liability - beginning	<u>7,291,277</u>	<u>7,227,001</u>	<u>6,860,206</u>
Total pension liability - ending (a)	<u><u>\$ 7,178,420</u></u>	<u><u>7,291,277</u></u>	<u><u>\$ 7,227,001</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 301,515	236,142	\$ 265,808
Contributions - State	71,580	81,449	80,195
Contributions - employees	24,485	20,904	20,758
Contributions - buy-back	-	-	-
Net investment income (loss)	348,214	(91,305)	554,152
Benefit payments, including refunds of employee contributions	<u>(881,295)</u>	<u>(313,547)</u>	<u>(301,642)</u>
Administrative expenses	<u>(41,653)</u>	<u>(46,508)</u>	<u>(32,090)</u>
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(177,154)	(112,865)	587,181
Plan fiduciary net position - beginning	<u>5,944,640</u>	<u>6,057,505</u>	<u>5,470,324</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,767,486</u></u>	<u><u>5,944,640</u></u>	<u><u>\$ 6,057,505</u></u>
Net pension liability (a) - (b)	<u><u>\$ 1,410,934</u></u>	<u><u>1,346,637</u></u>	<u><u>\$ 1,169,496</u></u>

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND
September 30, 2016

SCHEDULE OF RATIOS
Last Three Fiscal Years

	September 30, 2016	September 30, 2015	September 30, 2014
Plan fiduciary net position as a percentage of the total pension liability	80.35%	81.50%	84.21%
Covered employee payroll ¹	\$ 749,109	\$ 732,006	\$ 614,729
Net pension liability as a percentage of covered payroll	188.35%	183.97%	184.82%

Notes to Schedule:

¹The covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 9/30/2015 measurement period which includes DROP payroll.

Changes of assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND
September 30, 2016

SCHEDULE OF CONTRIBUTIONS
Last Three Fiscal Years

	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>	<u>September 30,</u> <u>2014</u>
Actuarially determined contributions	\$ 387,364	348,049	\$ 336,626
Contributions in relation to the actuarially determined contributions	<u>387,364</u>	<u>348,049</u>	<u>336,626</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	\$ <u><u>-</u></u>
Covered employee payroll	\$ <u><u>749,109</u></u>	<u><u>732,006</u></u>	\$ <u><u>614,729</u></u>
Contributions as a percentage of covered employee payroll	<u><u>51.71%</u></u>	<u><u>47.55%</u></u>	<u><u>54.76%</u></u>

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

September 30, 2016

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: October 1, 2014

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.

Methods and assumptions used to determine contribution rates:

Funding method:	Entry age normal actuarial cost method.
Amortization method:	Level percentage of pay, closed.
Remaining amortization period:	28 years (as of 10/01/2014).
Asset valuation method:	Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric four-year average market value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below market value of assets.
Inflation	3.0% per year.
Salary increases:	6.5% per year until retirement age. Final salary in year of retirement is increased 20% (individual in AIS) to account for additional non-regular compensation.
Interest rate:	7.75% per year, compounded annually, net of investment related expenses.
Payroll increase:	Up to 3% per year (2.28% for 10/1/13 valuation).
Cost of living adjustments:	3% per year, from age 55 to 65.
Retirement age:	Earlier of age 55 and the completion of 10 years of service, or the completion of 20 years of service regardless of age, or age 60, regardless of service. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.
Early retirement:	Commencing upon a member's eligibility for early retirement (age 50 with 10 years of credited service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

September 30, 2016

NOTES TO SCHEDULE OF CONTRIBUTIONS (CONTINUED)

Termination rates: See table below.
Disability rates: See table below. It is assumed that 75% of disablements and active member deaths are service related.
Mortality: RP-2000 Combined Healthy (sex distinct). Disableds set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
Other information: Termination and disability rate table.

<u>Age</u>	<u>Percentage Terminating During the Year</u>	<u>Percentage Becoming During the Year</u>
20	12.0%	0.03%
30	10.0%	0.04%
40	5.2%	0.07%
50	1.6%	0.18%

CITY OF BROOKSVILLE FIREFIGHTERS' RETIREMENT TRUST FUND

September 30, 2016

SCHEDULE OF INVESTMENT RETURNS

Last Three Fiscal Years

	September 30, 2016	September 30, 2015	September 30, 2014
Annual money-weighted rate of return net of investment expenses	<u>6.14%</u>	<u>-1.64%</u>	<u>9.91%</u>