



City of Hollywood Police Officers Retirement System

Financial Statements
Years Ended September 30, 2016 and 2015

City of Hollywood Police Officers Retirement System

Financial Statements
Years Ended September 30, 2016 and 2015

City of Hollywood Police Officers Retirement System

Contents

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information - Unaudited)	3 - 7
Financial Statements:	
Statements of Fiduciary Net Position	8
Statements of Changes in Fiduciary Net Position	9
Notes to Financial Statements	10 - 27
Required Supplementary Information (Unaudited):	
Schedule 1 - Schedule of Changes in the City's Net Pension Liability	28 - 29
Schedule 2 - Schedule of Contributions by Employer	30
Schedule 3 - Schedule of Investment Returns	31
Notes to Required Supplementary Information	32
Supplementary Schedules:	
Schedule 1 - Schedule of Investment Expenses	33
Schedule 2 - Schedule of Administrative Expenses	33



Tel: 305-442-2200
Fax: 305-444-0880
www.bdo.com

2121 Ponce De Leon Blvd, 11th Floor
Coral Gables, FL 33134

Independent Auditor's Report

Board of Trustees
City of Hollywood Police Officers Retirement System
Hollywood, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hollywood Police Officers Retirement System (the "Fund") which comprise the statement of fiduciary net position, as of September 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United State 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 audits. 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 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Hollywood Police Officers Retirement System as of September 30, 2016, and the related changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

Adoption of New Accounting Pronouncement

The Plan has adopted the disclosure requirements of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* in 2016. The provisions of the additional disclosure requirements are discussed in Note 4 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules included under Required Supplementary information as listed in the accompanying table of contents 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Fund. The accompanying supplementary schedules of investment expenses and administrative expenses as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

2015 Financial Statements

The financial statements of the Plan as of and for the year ended September 30, 2015, were audited by Goldstein Schechter Koch, P.A. ("GSK") whose partners and professional staff joined BDO USA, LLP as of August 15, 2016, and has subsequently ceased operations. GSK expressed an unmodified opinion on those financial statements in their report dated February 19, 2016.

April 25, 2017

BDO USA, LLP
Certified Public Accountants

City of Hollywood Police Officers Retirement System

Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

Our discussion and analysis of the City of Hollywood Police Officers Retirement System (the "Fund") financial performance provides an overview of the Fund's financial activities for the fiscal years ended September 30, 2016 and 2015. The Share Plan was created to implement the provisions of Chapter 185, Florida Statutes. Please read it in conjunction with the financial statements, which follow this discussion.

Financial Highlights

- The Fund's assets exceeded its liabilities at the close of fiscal years ended September 30, 2016 and 2015 by \$259,162,808 and \$245,410,242 respectively (reported as net position restricted for pensions). The Fund's net position is held in trust to meet future benefit payments. The increase of \$13,752,566 and decrease of \$5,782,651 of the respective years have resulted primarily from the changes in the fair value of the Fund's investments due to volatile financial markets.

- Receivables at September 30, 2016 decreased by \$639,840 (or 17.6%) primarily due to a decrease in the City contribution receivable.

Receivables at September 30, 2015 decreased by \$272,069 (or 7.0%) primarily due to a decrease in the State contribution receivable.

- For the fiscal year ended September 30, 2016, liabilities increased by \$751,287 (or 281.5%) primarily due to an increase in payable for securities purchased.

For the fiscal year ended September 30, 2015, liabilities decreased by \$2,391,221 (or 90.0%) primarily due to a decrease in prepaid city contributions.

- For the fiscal year ended September 30, 2016, employer (City) contributions to the Fund increased \$534,940 (or 4.0%) based on the actuarial calculation. Actual employer contributions were \$13,960,747 and \$13,425,807 for 2016 and 2015, respectively.

For the fiscal year ended September 30, 2015, employer (City) contributions to the Fund increased \$2,216,260 (19.8%) based on the actuarial calculation. Actual employer contributions were \$13,425,807 and \$11,209,547 for 2015 and 2014, respectively.

- Actual state contributions were \$0 and \$0 for 2016 and 2015, respectively.

For the fiscal year ended September 30, 2015, State contributions to the Fund decreased \$1,269,750 (or 100%). Actual state contributions were \$0 and \$1,269,750 for 2015 and 2014, respectively.

- For the fiscal year ended September 30, 2016, employee contributions including buybacks increased by \$341,597 (or 23.2%). Actual employee contributions and buybacks were \$1,811,993 and \$1,470,396 for 2016 and 2015, respectively. Employee contributions have fluctuated from year to year, based on the number of active members and changes in the rate of employee contributions.

City of Hollywood Police Officers Retirement System

Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

For the fiscal year ended September 30, 2015, employee contributions including buybacks increased by \$101,296 (or 7.4%). Actual employee contributions and buybacks were \$1,470,396 and \$1,369,100 for 2015 and 2014, respectively. Employee contributions have fluctuated from year to year, based on the number of active members and changes in the rate of employee contributions.

- For the fiscal year ended September 30, 2016, net investment income increased by \$18,948,245. Actual results were \$17,748,087 and \$1,722,594 of net appreciation and depreciation in fair value of investments for 2016 and 2015, respectively, and \$5,659,484 and \$6,228,080 of income from interest and dividends for 2016 and 2015, respectively. Investment expenses decreased by \$46,160 or (3.5%).

For the fiscal year ended September 30, 2015, net investment income decreased by \$19,801,157. Actual results were \$1,722,594 and \$18,344,204 of net depreciation and appreciation in fair value of investments for 2015 and 2014, respectively, and \$6,228,080 and \$5,801,920 of income from interest and dividends for 2015 and 2014, respectively. Investment expenses increased by \$160,519 or (13.7%).

- For the fiscal year ended September 30, 2016, benefit payments and participants' contributions refunded decreased by \$177,041 (or 0.8%) primarily due to new retirees.

For the fiscal year ended September 30, 2015, benefit payments and participants' contributions refunded increased by \$271,177 (or 1.2%) primarily due to new retirees.

- For the fiscal year ended September 30, 2016, administrative expenses increased \$14,331 from 2015 (or 2.2%) primarily due to a decrease in legal expenses.

For the fiscal year ended September 30, 2015, administrative expenses decreased \$27,496 from 2014 (or 7.3%) primarily due to a decrease in legal expenses.

Fund Highlights

For the fiscal year ended September 30, 2016, the return of the portfolio, net of fees was 9.55% for the trailing year and ranked in the top 12 percentile. Actual net investment income in 2016 was \$22,123,392 compared with a net investment income \$3,175,147 in 2015.

For the fiscal year ended September 30, 2015, the return of the portfolio, net of fees was 1.34% for the trailing year and ranked in the top 12 percentile. Actual net investment income in 2015 was \$3,175,147 compared with a net investment income of \$22,976,304 in 2014.

Overview of the Financial Statements

The basic financial statements include the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position and Notes to the Financial Statements. The Fund also includes in this report additional information to supplement the financial statements.

The Fund presents required supplementary schedules, which provide historical trend information about the Fund.

City of Hollywood Police Officers Retirement System

Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

The Fund prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. These statements provide information about the Fund's overall financial status.

Description of the Financial Statements

The *Statement of Fiduciary Net Position* presents information that includes all of the Fund's assets and liabilities, with the balance representing the Net Position Restricted for Pensions. It is a snapshot of the financial position of the Fund at that specific point in time and reflects the resources available to pay employees, retirees and beneficiaries at that point in time.

The *Statement of Changes in Fiduciary Net Position* reports how the Fund's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plans from employer, state and employees and net investment income (loss), which include interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The *Notes to the Financial Statements* are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Fund, contributions, significant accounting policies, funding policy, and investment risk disclosure.

Description of the Financial Statements

There is also *Required Supplementary Information* included in this report as required by the Governmental Accounting Standards Board. These schedules consist of the Fund's actuarial methods and assumptions and provide data on changes in the City's net pension liability, the City's contributions, and the Fund's investment returns.

Additional information is presented as part of *Supplementary Schedules*. This section is not required but management has chosen to include it. It includes *Schedules of Investment Expenses and Administrative Expenses*. The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the Fund and includes financial management, consultant, and custodial fees. The *Schedule of Administrative Expenses* presents the expenses incurred in the administration of the Fund.

The remainder of this page intentionally left blank.

City of Hollywood Police Officers Retirement System

Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

Condensed Statements of Fiduciary Net Position

The table below reflects condensed comparative statements of fiduciary net position as of September 30:

<i>September 30,</i>	2016	2015	2014
Cash and cash equivalents	\$ 5,708,358	\$ 4,480,550	\$ 3,051,193
Receivables	2,999,505	3,639,345	3,911,414
Prepaid expenses	-	26,813	-
Investments	251,473,306	237,530,608	246,888,581
Total assets	260,181,169	245,677,316	253,851,188
Liabilities	1,018,361	267,074	2,658,295
Net position restricted for pensions	\$ 259,162,808	\$ 245,410,242	\$ 251,192,893

Condensed Statements of Changes in Fiduciary Net Position

The table below reflects a condensed comparative statement summarizing the changes in fiduciary net position and reflects the activities of the Fund for the fiscal years ended September 30:

<i>September 30,</i>	2016	2015	2014
Additions:			
Contributions			
City	\$ 13,960,747	\$ 13,425,807	\$ 11,209,547
Employee	1,714,832	1,454,477	1,341,148
Rollovers	201,349	194,366	-
State	-	-	1,269,750
Buybacks	97,161	15,919	27,952
Total	15,974,089	15,090,569	13,848,397
Net investment income	22,123,392	3,175,147	22,976,304
Total additions	38,097,481	18,265,716	36,824,701
Deductions:			
Benefits paid	23,179,330	23,318,201	22,993,671
Participants' contributions refunded	35,258	73,428	126,781
PRB contributions refunded	459,258	-	-
Administrative expenses	671,069	656,738	684,234
Total deductions	24,344,915	24,048,367	23,804,686
Net increase (decrease)	13,752,566	(5,782,651)	13,020,015
Net position restricted for pensions at beginning of year	245,410,242	251,192,893	238,172,878
Net position restricted for pensions at end of year	\$ 259,162,808	\$ 245,410,242	\$ 251,192,893

City of Hollywood Police Officers Retirement System

Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

The Fund's investment activities, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns for fiscal year 2015 decreased from fiscal year ended September 30, 2014 and increased from fiscal year 2013.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At the end of the fiscal year September 30, 2016, the domestic equity portion comprised 57.3% (\$147,317,644) of the total portfolio. The allocation to fixed income securities was 28.1% (\$72,290,351), while cash and cash equivalents comprised 2.2% (\$5,708,358). The allocation to real estate and alternative investment were 10.6% (\$27,271,223) and 1.8% (\$4,594,088), respectively.

At the end of the fiscal year September 30, 2015, the domestic equity portion comprised 54.0% (\$130,627,206) of the total portfolio. The allocation to fixed income securities was 31.6% (\$76,682,664), while cash and cash equivalents comprised 1.9% (\$4,480,550). The allocation to real estate and alternative investment were 10.6% (\$25,718,933) and 1.9% (\$4,501,804), respectively.

The target asset allocation was as follows as of September 30:

	2016	2015
Domestic equity	57%	55%
Fixed income	28%	31%
Cash	2%	4%
Real estate	11%	10%
International equity	0%	0%
Other	0%	0%

Contacting the Fund's Financial Management

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Fund finances and to demonstrate accountability for the money they receive. If you have any questions about this report or need additional financial information, contact the City of Hollywood Police Officers Retirement System, 4205 Hollywood Boulevard, Suite 4, Hollywood, FL 33021.

The remainder of this page intentionally left blank.

City of Hollywood Police Officer's Retirement System

Statements of Fiduciary Net Position

<i>September 30,</i>	2016	2015
Assets:		
Cash and cash equivalents	\$ 5,708,358	\$ 4,480,550
Receivables:		
City contributions receivable	585,223	1,564,389
Employee contributions receivable	60,805	59,257
Accrued interest and dividends	590,211	660,409
Receivable for securities sold	776,450	383,859
DROP loans receivable	986,816	971,431
Total receivables	2,999,505	3,639,345
Prepaid expenses	-	26,813
Investments, at fair value:		
Domestic equity securities	122,200,571	108,826,158
Corporate bonds and notes	45,219,901	55,066,788
U.S. government securities	24,328,185	16,282,949
Foreign bonds	2,742,265	5,332,927
Domestic equity funds	25,117,073	21,801,049
Real estate funds	27,271,223	25,718,933
Alternative investment	4,594,088	4,501,804
Total investments, at fair value	251,473,306	237,530,608
Total assets	260,181,169	245,677,316
Liabilities:		
Accounts payable	86,176	264,312
Payable for securities purchased	932,185	2,762
Total liabilities	1,018,361	267,074
Net position restricted for pensions	\$ 259,162,808	\$ 245,410,242

The accompanying notes are an integral part of these financial statements.

City of Hollywood Police Officer's Retirement System

Statements of Changes in Fiduciary Net Position

<i>For the years ended September 30,</i>	2016	2015
Additions:		
Contributions:		
City	\$ 13,960,747	\$ 13,425,807
Employee	1,714,832	1,454,477
Rollovers	201,349	194,366
Buybacks	97,161	15,919
Total contributions	15,974,089	15,090,569
Investment income:		
Net appreciation (depreciation) in fair value of investments	17,748,087	(1,722,594)
Interest and dividends	5,659,484	6,228,080
Total investment income	23,407,571	4,505,486
Less : investment expense	1,284,179	1,330,339
Net investment income from investing activities	22,123,392	3,175,147
Total additions	38,097,481	18,265,716
Deductions:		
Pension benefits paid	23,179,330	23,318,201
Participants' contributions refunded	35,258	73,428
PRB contribution refunded	459,258	-
Administrative expenses	671,069	656,738
Total deductions	24,344,915	24,048,367
Net increase (decrease)	13,752,566	(5,782,651)
Net position restricted for pensions:		
Beginning of year	245,410,242	251,192,893
End of year	\$ 259,162,808	\$ 245,410,242

The accompanying notes are an integral part of these financial statements.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

1. Description of the Fund

Organization

The City of Hollywood Police Officers Retirement System (the "Fund") is a single employer defined benefit pension plan, covering substantially all police officers of the City of Hollywood, (the "Employer") that have met the conditions of eligibility. Since the Fund is sponsored by the City, the Fund is included as a pension trust fund in the City's comprehensive financial report as part of the City's financial entity.

The Fund's governing board is the Board of Trustees, which comprises seven members. One Trustee is appointed by the Mayor of the City of Hollywood, one Trustee is appointed by the City Commission, and the remaining five Trustees are elected by Police Department and members of the Fund.

The following is a brief description of the Fund presented for general information purposes only. Participants should refer to the plan agreement for more complete information.

Fund Membership

Employee membership data was as follows as of October 1:

<u>October 1,</u>	<u>2015</u>	<u>2014</u>
Active participants	245	216
Retired members, beneficiaries and deferred vested members	378	376
Total participants	623	592

Pension Benefits

Normal Retirement:

Members with 10 or more years of creditable service as of September 30, 2011 who has attained age 50 or has completed 22 years of creditable service may retire and are eligible for normal retirement benefit. A member has vested benefits after 10 years of continuous service.

For members hired prior to October 1, 2011 with less than 10 years of creditable service as of September 30, 2011 and members hired after September 30, 2011, normal retirement shall be the attainment of age 55 with 10 or more years of creditable service or upon attaining 25 years of creditable service.

For members who are eligible for normal retirement as of September 30, 2011 the monthly benefit amount is equal to 3% of the member's average monthly earnings multiplied by years and completed months of continuous service up to 20 years plus 4% of the members average monthly earnings multiplied by years and completed months of continuous service after 20 years with a maximum of 80% of average monthly earnings. Upon completion of 22 years of continuous service, a member will receive a monthly benefit of 80% of average monthly earnings (resulting in a 12% of earnings increase in benefits at the moment the member attains 22 years of service). The normal form of benefit payment is life annuity with ten-years certain.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

For members who are vested but not eligible for normal retirement as of September 30, 2011 the monthly benefit amount is equal to 3.3% of average final compensation, which is the average of the highest three years of monthly earnings as of the retirement date, multiplied by years of service earned up to September 30, 2011 (the frozen accrued benefit as of October 1, 2011 based on the benefit structure in place as of September 30, 2011 prior to July 17, 2013) plus 3% (2% prior to July 17, 2013) of average monthly earnings multiplied by years and completed months of service earned after September 30, 2011. If a member retires before age 62 and additional benefit of 0.5% of average monthly earnings will be paid on or after October 1, 2011 up to age 62.

For members who are not vested and are not eligible for normal retirement as of September 30, 2011 the monthly benefit amount is equal to 3.3% of average final compensation multiplied by years of service earned up to September 30, 2011 (the frozen accrued benefit as of October 1, 2011 based on the benefit structure in place as of September 30, 2011 prior to July 17, 2013) plus 3% of average monthly earnings multiplied by years and completed months of service earned after September 30, 2011.

The average monthly earnings prior to October 1, 2011 are computed based on the earnings of the three highest paid years of employment prior to retirement or termination. Earnings include basic annual wages including regular longevity raises and overtime up to 400 hours per year, but not including amounts for unused sick time or unused vacation time paid at retirement or termination. Effective October 1, 2011 the average monthly earnings are computed based on the earnings of the three highest paid years of employment prior to retirement or termination. Earnings shall not include basic annual wages, longevity pay, and assignment pay, but not including overtime pay, payments for accrued holiday time, payments for accrued blood time, annual cash-out payments for accrued vacation time, payments for accrued compensatory time, and payments for unused sick time or for unused vacation time which is paid upon retirement or termination.

Disability:

Any member who becomes totally and permanently disabled in the line of duty and who must have applied for social security disability benefits as well as workers' compensation benefits if applicable, will receive a benefit equal to the greater of his or her accrued benefit on date of disability based on the applicable benefit rate or 50% of earnings at the time of determination of disability.

Members with at least five years of continuous service who sustain a non-service connected disability and who must have applied for Social Security disability benefits as well as workers' compensation benefits if applicable may receive a benefit equal to 2-1/2% of their average monthly earnings multiplied by years of service.

No member with at least five years of continuous service shall receive less than 25% of his average monthly earnings in effect at the time of determination of disability. Upon attainment of age 50, the benefit will be recomputed as a normal retirement benefit with consideration for service granted for the period of time that the member was receiving a disability retirement payment.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

Death Benefits:

A service-incurred death benefit will be paid to the surviving spouse at the rate of 50% of the member's monthly earnings at the time of death. A non-service-incurred death benefit will be paid to the surviving spouse at the rate of 25% of the member's monthly earnings at the time of death. Death benefits are payable to the surviving spouse until death or remarriage. Upon the death or remarriage of the spouse, the death benefits are payable to the member's dependent children until the youngest child reaches the age of 18.

Cost-of-Living Adjustment:

A retiree whose benefit commences on or after April 1, 1987 and any beneficiary of such retiree will receive a 2% annual increase in benefit payments commencing three years after the retiree's benefit payments have begun. For participants who enter the DROP on or after October 1, 2006, cost-of-living adjustments do not occur while the member participates in the DROP. Adjustments commence the later of the date the participant leaves the DROP and three years after entry into the DROP. There shall be no annual cost-of-living adjustment effective October 1, 2011.

Supplemental Distribution:

If the actual investment return of the Fund exceeds the assumed actuarial return for the fiscal year, then a supplemental pension distribution (up to 2%) shall be made to the eligible recipients in the form of an optional 13th check. Effective October 1, 2011 there will be no supplemental check payable to retirees and surviving spouses and other beneficiaries who reached normal retirement or entered the DROP after September 30, 2011.

Deferred Retirement Option Plan

Prior to October 1, 2011, a Fund member may enter into the police officers' Deferred Retirement Option Plan (DROP) upon the attainment of normal retirement age. The DROP is administered by the Police Officers' Retirement System Board of Trustees. Once a Fund member enters the DROP, their monthly retirement benefit is frozen, and their monthly benefit is paid into their DROP account.

A member hired on or before September 30, 2009 who elects to enter the DROP plan has the option to receive a rate of return on his or her DROP account that is equal to the assumed rate of investment return on Fund assets. For members hired on or after October 1, 2009, his or her DROP account shall earn interest at the rate of six percent (6%) per year. In the event the Fund earnings exceed six percent (6%) per year, the earnings in excess of six percent (6%) up to and including twelve percent (12%) per year shall offset the City's cost of maintaining the DROP program. Earnings in excess of twelve percent (12%) per year shall be equally divided between the DROP participant and the City.

Upon termination of employment, but not more than eight years after entry into the DROP, or that period of participation in the DROP that would result in a total of 30 years of employment with the City, the balance in the member's DROP account, including interest, is payable to them and they also begin to receive their (frozen) monthly retirement benefit.

The DROP may now receive eligible rollover contributions from eligible governmental 457(b) plans. These rollover contributions remain in a variable-rate account as described above and do not qualify for the fixed rate option.

A Fund member who does not enter the DROP prior to October 1, 2011, shall not be able to participate in the DROP, unless the member was eligible to retire as of September 30, 2011.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

A summary of the changes in the DROP balance as of September 30 is as follows:

	2016	2015
Beginning balance	\$ 69,399,172	\$ 64,113,948
Additions	1,431,287	2,072,725
Distributions	(2,907,369)	(1,847,123)
Interest	5,486,942	5,059,622
Rollover (457)	196,349	-
Ending balance	\$ 73,606,381	\$ 69,399,172

Reformed Planned Retirement Benefit

The Planned Retirement Benefit ("PRB") is an optional form of benefit payment that members may elect when they reach their normal retirement age. In general, the PRB option replaces the DROP program in place prior to October 1, 2011.

In order to participate in the PRB, a member must submit a written election of their intent to participate in the RPRB at any time on or after reaching the member's normal retirement date, but no later than sixty (60) days after reaching the member's retirement date.

Members who elect to participate in the PRB shall not exceed 30 years of service, including service while participating in the PRB.

A member who elects to participate in the PRB will receive the normal retirement benefit they would have been eligible to receive during the Planned Retirement Period had the member actually retired at a point during the look-back period that begins on the entry date into the PRB and ends on the date of termination. If the member chooses a normal retirement benefit based on age and service during the look back period, they will receive a lump sum with interest based on the normal retirement benefit payable during the look-back period.

The maximum look-back period is 8 years from the date of termination for members vested as of September 30, 2011. For non-vested members as of September 30, 2011, the maximum look-back period is 5 years. Non-vested members as of September 30, 2011 who reach his/her normal retirement date upon completion of 25 years of service, but not more than 30 years of service may, upon termination of employment elect to receive benefits under the PRB for a period of not more than 5 years. A limited exception to the 30 years of service maximum is available to non-vested members who do not reach their normal retirement date until after 30 years of service. A member under this scenario may participate in the PRB for a period of not more than 5 years.

Effective September 16, 2015, the existing Planned Retirement Benefit program was replaced by the Reformed Planned Retirement Benefit (RPRB) program. In order to participate in the Reformed Planned Retirement Benefit a member must submit in writing declaring their intent to participate in the program at any time on or after reaching the member's normal retirement date. For members currently participating in the Planned Retirement Benefit in effect prior to September 16, 2015, an irrevocable election must be made no later than November 16, 2015 on one of the RPRB options described below.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

- 1) RPRB Option 1:
 - a. Employee contributions shall be 8.0% of earnings.
 - b. Monthly Benefit is calculated under one of the following options:
 - i. As if the member retired when he/she makes the election to participate.
 - ii. As if the member retired when service terminates using service and pay earned after entering the RPRB program.
 - c. Lump Sum Benefit is calculated under one of the following options:
 - i. Based on number of years worked after electing to participate.
 - ii. No lump sum.
 - d. Members may choose any combination of lump sum payments or a larger annuity by dividing the years worked after electing to participate in the RPRB program.
 - e. Any lump sum payment must be paid out to the member at termination and cannot be left in the plan.
 - f. The crediting rate applicable to any lump sum payment shall be calculated in arrears equal to 100% of the first 4% of plan earnings plus 50% of plan earnings in excess of 6%, unless the System is 90% funded. If the System is at least 90% funded, the crediting rate will be based on the 100% of the first 4% of plan earnings plus 100% of plan earnings in excess of 6%. The member will not share in asset losses in those years where plan returns are negative.

- 2) RPRB Option 2:
 - a. Employee contributions shall be 0.5% of earnings.
 - b. Monthly Benefit is calculated as if the member retired when he/she makes the election to participate.
 - c. Lump Sum Benefit is calculated based on number of years worked after electing to participate.
 - d. Lump Sum Benefit can be left in the plan after service termination.
 - e. The crediting rate applicable to any lump sum payment shall be calculated in arrears equal to the actual investment rate of return of the Retirement System. The member will share in asset losses in those years where plan returns are negative and asset gains when plan returns are greater than the assumed rate of return.

If electing RPRB Option 2 the member will receive a refund equal to 7.5% of pay (8.0% minus 0.5%) for the time he/she participated in the PRB and were making 8% contributions. The Fund refunded employee contributions totaling \$459,258 to members who elected to switch to option 2 during the fiscal year ended September 30, 2016. After electing RPRB Option 2, future contributions will be reduced from 8% to 0.5%.

A summary of the changes in the RPRB balance as of September 30 is as follows:

<i>September 30,</i>	2016	2015
Beginning balance	\$ 3,084,554	\$ 1,974,743
Additions	1,510,021	991,735
Distributions	-	-
Interest	302,401	118,076
Ending balance	\$ 4,896,976	\$ 3,084,554

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

Share Plan

Effective June 30, 2002, the Hollywood Police Officers' Share Plan (Share Plan), a defined contribution plan, was created to implement the provisions of Chapter 185, Florida Statutes, and to provide means whereby police officers of the City of Hollywood, Florida may receive benefits from the funds provided for that purpose by Chapter 185, Florida Statutes. The Share Plan is in addition to any other benefits, and shall not in any way affect any other benefits that now or hereafter exist. The Board of Trustees shall provide for all assets of the Share Plan to be held in trust solely for the use of paying the benefits provided and the expenses of the Share Plan.

The City shall pay to the Share Plan each year an amount equal to the amount it receives from the State under the provisions of Chapter 185, Florida Statutes, as amended. As of each valuation date, the amounts received since the preceding valuation date shall be allocated among the member' accounts. The allocation shall be based on the proportion the total number of months of credit accrued by each member in the immediately preceding Share Plan Year bears to the total months of credit of all members in that Share Plan Year with no credit given on account of a members' seniority, rank or compensation. Forfeitures are allocated in the same manner described above.

The Board of Trustees shall ascertain the value of the assets of the Share Plan as of each valuation date and shall allocate to the account of each member their share of the increase or decrease in the fair market value of the Share Plan's assets net of administrative expenses. The member's share of the increase or decrease of the Share Plan assets shall bear the same ratio to the total amount of the increase or decrease in the Share Plan as the value of the portion of the member's account invested in the Share Plan bears to the total value of the Share Plan.

A member shall receive a benefit from the Share Plan upon his termination of employment, disability, retirement or death in accordance with the Share Plan agreement. However, no member shall receive a benefit from the Share Plan in excess of the amount credited to their Account.

Commencing June 7, 2006, the State funds received by the City pursuant to Florida Statutes Chapter 185 subsequent to the funds normally received during fiscal year ended September 30, 2006, shall not be divided into individual "share" accounts but shall be used exclusively to fund plan benefits, including "minimum benefits" and "extra benefits" as provided in Chapter 185.

A summary of the changes in the Share Plan balance as of September 30 is as follows:

<i>September 30,</i>	2016	2015
Beginning balance	\$ 3,334,152	\$ 3,542,549
Additions	-	-
Earnings	279,990	38,345
Distributions	(214,311)	(246,742)
Ending balance	\$ 3,399,831	\$ 3,334,152

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

Funding Requirements

Member Contributions:

Each police officer makes contributions to the Fund during the first 27 years of continuous service at the rate of 8.0% of their earnings. Employees electing Reformed Plan Retirement Benefit Option 2 shall contribute 0.5% of their earnings. If a police officer's service is terminated prior to becoming eligible for a withdrawal of retirement benefit, their accumulated contributions are returned to them without.

City Contributions:

The City of Hollywood pays into the Fund such amount as is determined actuarially to provide for benefits under the Fund not met by member contributions. Commencing June 7, 2006, this amount is reduced by any allowable Chapter 185 State contributions.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which the contributions are due. Employer (City) contributions are recognized as revenues when due pursuant to actuarial valuations. State contributions are recognized as revenue in the period in which they are approved by the State. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund. Interest is recorded as earned, and dividend income is recorded as of the ex-dividend date.

Cash and Cash Equivalents

The Fund considers all highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents.

Investments

The Fund's investments are reported at fair value in the statement of fiduciary net position. 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. The diversity of the investment types in which the Fund has entered into requires a range of techniques to determine fair value.

Unrealized gains and losses are presented as net (depreciation) appreciation in fair value of investments on the statement of changes in fiduciary net position along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on a trade-date basis.

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

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

Income Tax Status

The Fund is tax-exempt under the Internal Revenue Code, and, therefore, has recorded no income tax liability or expense.

Subsequent Events

Management has evaluated subsequent events through April 25, 2017, the date which the financial statements were available for issue.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Fund and the actuarial information included in the required supplementary information (RSI) are reported based on certain assumptions pertaining to the interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

3. Funding Requirements and Contributions

Actual Contributions

The actual City contribution for active employees and State contributions for the years ended September 30, 2016 and 2015 were \$13,960,747 and \$13,425,807, respectively, and the actual amount of covered payroll was approximately \$23,748,000 and \$18,181,000 for fiscal years ended September 30, 2016 and 2015, respectively.

City and State contributions consisted of the following for the years ended September 30:

	2016		2015	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
City	\$ 13,960,747	58.8%	\$ 13,425,807	73.8%
State	-	-	-	-
Total City and State contributions	\$ 13,960,747	58.8%	\$ 13,425,807	73.8%

For the fiscal years ended September 30, 2016 and 2015 employee contributions were \$1,714,832 and \$1,454,477, respectively and buybacks were \$97,161 and \$15,919, respectively.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

The City is withholding funding related to the supplemental benefits paid members in fiscal years ended September 30, 2015 and 2014, respectively, pending the outcome of a lawsuit (See Note 7). As a result of the underfunding, State funding in the amounts of \$1,375,501 and \$1,308,509 for the 2015 and 2016 fiscal years is being withheld by the State due to underfunding of the actuarial computed required contribution. Pursuant to Florida Statutes, any funding deficiency will have to be contributed by the City.

Actuarially Determined Contributions

The Fund contributions required from the City of Hollywood and the State of Florida for the fiscal years September 30, 2016 and 2015 were actuarially determined by the October 1, 2015 and 2014 valuation reports to be \$13,960,747 and \$13,425,807, respectively. The actuarially computed annual covered payroll amounted to approximately \$16,504,000 and \$14,581,000, respectively.

The required City and State contribution covers the following:

	2016		2015	
	Amount	Percent of Actuarially Computed Covered Payroll	Amount	Percent of Actuarially Computed Covered Payroll
Normal cost (excluding expenses)	\$ 2,034,675	12.3%	\$ 2,057,192	14.1%
Expenses	400,000	2.4	400,000	2.7
Payment to amortize unfunded liability	11,526,072	69.8	10,968,615	75.2
Total required from City and State	\$ 13,960,747	84.5%	\$ 13,425,807	92.0%

4. Deposits and Investment Risk Disclosures

Cash and Cash Equivalents

Deposits are carried at cost and are included in cash and cash equivalents in the Statement of Fiduciary Net Position. Cash and cash equivalents include short-term investment funds at September 30, 2016 and 2015.

Investment Authorization

The investment policy is determined by the Board of Trustees. The policy has been identified by the Board of Trustees to conduct the operations of the Fund in a manner so that the assets will provide the pension and other benefits provided under applicable laws, including City ordinances, preserving principal while maximizing the rate of return. The Board of Trustees is authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, commercial paper, bonds, debentures, and other corporate obligations, and stocks, preferred or common.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 65% (at market) of the Fund's total asset value with no more than 5% of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks or bonds of foreign companies shall be limited to 25% of the value of the portfolio, at market value (exclusive of the State of Israel).

The fixed income portfolio shall be comprised of securities rated in the highest three (3) categories of quality by Moody's, Standard & Poor's or Fitch's Manual rating services with no more than 5% of an investment manager's total fixed income portfolio invested in the securities of any single corporate issuer.

Types of Investments

Florida statutes and Fund investment policy authorize the Board of Trustees to invest funds in various investments. The current target allocation of these investments at market is as follows:

Authorized investments	Target % of portfolio
Domestic equity	50%
Fixed income	39%
Cash	4%
Real estate	7%
International equity	0%

Investments

The table below shows the Fund's investments by type as of September 30:

<i>September 30,</i>	2016	2015
Equity securities, domestic:		
Common stock	\$ 122,200,571	\$ 108,826,158
	122,200,571	108,826,158
Domestic equity funds	25,117,073	21,801,049
Real estate	27,271,223	25,718,933
Domestic debt securities:		
U.S. treasuries	4,103,617	8,552,616
U.S. agencies	20,224,568	7,730,333
Corporate bonds	45,219,901	55,066,788
	69,548,086	71,349,737
Foreign bonds:		
State of Israel	-	500,000
Corporate bonds	2,742,265	4,832,927
	2,742,265	5,332,927
Alternative Investment	4,594,088	4,501,804
Total	\$ 251,473,306	\$ 237,530,608

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

Rate of Return

For the years ended September 30, 2016 and 2015, the annual money-weighted rate of return on pension plan investments, net of pension investment expense, was 9.41% and 1.59%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Fund diversifies their investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the Fund's investments to market interest rate fluctuations are provided by the following tables that show the distribution of the Fund's investments by maturity at September 30:

2016					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 4,103,617	\$ -	\$ -	\$ 4,103,617	\$ -
U.S. agencies	20,224,568	500,960	4,996,470	7,272,233	7,454,905
Corporate bonds and notes	45,219,901	-	17,243,787	25,819,234	2,156,880
Foreign bonds	2,742,265	-	2,742,265	-	-
	\$ 72,290,351	\$ 500,960	\$ 24,982,522	\$ 37,195,084	\$ 9,611,785

2015					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 8,552,616	\$ -	\$ 8,552,616	\$ -	\$ -
U.S. agencies	7,730,333	3,328,897	4,401,436	-	-
Corporate bonds and notes	55,066,788	2,064,621	53,002,166	-	-
Foreign bonds	5,332,927	500,000	4,832,927	-	-
	\$ 76,682,664	\$ 5,893,518	\$ 70,789,146	\$ -	\$ -

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Fund's investment policy utilizes portfolio diversification in order to control this risk.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

The following tables disclose credit ratings by investment type, at September 30, as applicable:

	2016		2015	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 24,328,185	33.7%	\$ 16,282,949	21.2%
Quality rating of credit risk debt securities:				
AAA	2,169,270	3.0	3,103,810	4.0
AA+	1,013,340	1.4	1,156,608	1.5
AA	2,336,915	3.2	4,258,092	5.6
AA-	4,058,233	5.6	2,871,915	3.7
A+	2,433,946	3.4	3,710,131	4.8
A	10,732,440	14.8	19,056,459	24.9
A-	14,272,118	19.7	15,294,332	19.9
BBB+	9,294,095	12.9	5,983,171	7.8
BBB	1,651,809	2.3	3,411,667	4.4
Not Rated	-	-	1,553,530	2.0
Total credit risk debt securities	47,962,166	66.3	60,399,715	78.8
Total fixed income securities	\$ 72,290,351	100.00%	\$ 76,682,664	100.00%

* Obligations of the U.S. government or obligations explicitly or implicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

Concentration of Credit Risk

The investment policy of the Fund contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2016 and 2015.

Custodial Credit Risk

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Fund and are held either by the counterparty's trust department or agent but not in the Fund's name.

Consistent with the Fund's investment policy, the investments are held by the Fund's custodial bank and registered in the Fund's name. All of the Fund's deposits are insured and or collateralized by a financial institution separate from the Fund's depository financial institution.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

Investment Valuation

GASB 72 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment.

Fair value represents the prices 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. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Investments traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 - Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.

Level 3 - Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

The Fund has established a framework to consistently measure the fair value of the Fund's assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing a valuation policy and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Fund's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment.

The following table summarizes the valuation of the Fund's investments in accordance with the above mentioned fair value hierarchy levels as of September 30:

The remainder of this page intentionally left blank.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

	2016			
	Fair Value	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				
Debt securities:				
U.S. government securities	\$ 24,328,185	\$ -	\$24,328,185	\$ -
Corporate bonds and noted	45,219,901	-	45,219,901	-
Foreign bonds	2,742,265	-	2,742,265	-
Total debt securities	72,290,351		72,290,351	-
Domestic equity securities	122,200,571	122,200,571	-	-
Total equity securities	122,200,571	122,200,571	-	-
Total Investments by fair value level	194,490,922	\$122,200,571	\$72,290,351	\$ -
Investments measured at the net asset value ("NAV")				
Commingled real estate funds	27,271,223			
Commingled domestic equity fund	25,117,073			
Commingled international equity fund	4,594,088			
Total investments measured at the NAV	56,982,384			
Total investments measured at fair value	\$ 251,473,306			

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

Equity securities: These include domestic common stocks and domestic equity funds. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2016 and 2015. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

Real Estate: Real estate investments are investments where no readily ascertainable market value exists. To value these investments, management, in consultation with the general partner and investment advisors, determines the fair values for the individual investments based upon the partnership's or limited liability company's most recent available financial information adjusted for cash flow activities through September 30, 2016 and 2015. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Alternative investments: The Fund has investments as a limited partner in various infrastructure funds. The partnerships are valued using their NAV calculated in accordance with the general partner's fair valuation policy as of measurement date and are audited annually. The most significant input into the NAVs of such an entity is the fair value of its investment holdings.

The Fund's valuation methods for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2016, are as follows:

2016				
Investments Measured at the NAV				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled real estate funds (1)	\$ 27,271,223	\$ -	Monthly	30 days
Commingled domestic equity fund (2)	25,117,073	-	Daily	5 days
Commingled international equity fund (3)	4,594,088	-	Daily	5 days
Total investments measured at the NAV	\$ 56,982,384	\$ -		

- (1) Commingled real estate funds consists of one commingled investment vehicle which primarily invests in publicly traded domestic commercial mortgage backed securities. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (2) Commingled domestic equity funds consist of comingled investment vehicles, which invest primarily in publicly traded equity securities. The funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (3) Commingled international equity funds consist of three commingled investment vehicles which invest primarily in publicly traded global equity securities. The funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

5. Commitments

The Fund is obligated under a rental operating lease for office space, which expired on August 31, 2016. The rent expense was \$24,525 and for years ended September 30, 2016 and 2015, respectively. The Fund is currently operating under a month by month agreement while lease is renegotiated.

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

6. Net Pension Liability of the City

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

<i>September 30,</i>	2016	2015
Total pension liability	\$ 439,195,437	\$ 398,476,966
Plan fiduciary net position	(259,162,808)	(245,410,242)
City's net pension liability	\$ 180,032,629	\$ 153,066,724
 Plan fiduciary net position as a percentage of total pension liability	 59.01%	 61.59%

Actuarial Assumptions

The total pension liability at September 30, 2016 was determined using an actuarial valuation as of October 1, 2015, with update procedures used to roll forward the total pension liability to September 30, 2016. The actuarial valuation used the following actuarial assumptions:

Inflation	3.5%
Salary increases	5.03% - 10.67%, average, including inflation
Investment rate of return	8.0% compounded annually, net of pension plan investment expense, including inflation.
Mortality	The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*

ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of the valuation date of October 1, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

Asset Class	Long-Term Expected Real Rate of Return*	
	2016	2015
Domestic Large Cap	7.50%	7.88%
Intermediate Fixed	2.50%	1.80%
Small Cap	7.50%	8.50%
Mid Cap	7.50%	8.25%
Real Estate	4.50%	6.00%
Long Term Fixed	2.50%	2.85%
International Equity	8.50%	8.50%
Taxable Money Market	0%	0%

*Real rates of return are net of the long-term inflation assumption of 3.5% for 2016 and 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0% as of September 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on these assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current Fund 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 8%, as well as what the employer net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	Employer Net Pension Liability (Asset)		
	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
September 30, 2016	\$ 215,827,179	\$180,032,629	\$ 149,776,085
September 30, 2015	\$ 188,401,935	\$153,066,724	\$ 123,200,864

City of Hollywood Police Officers Retirement System

Notes to Financial Statements

7. Legal Matter

The Fund is a party to legal proceedings, investigations, and claims in the ordinary course of operations. The Fund is a party to lawsuit filed by the City against the pension plans (Plans) sponsored by the City. The suit seeks a declaratory judgment alleging that the Plans did not have the authority to authorize paying a supplemental pension distribution to its members in the 2014 and 2015 fiscal years. The Fund and parties to the lawsuit have filed a motion to dismiss the suit which is currently pending. The Plans are vigorously defending the lawsuit.

The Fund records accrual for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Fund evaluates along with legal counsel, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable the Fund does not establish an accrued liability. In the opinion of management the ultimate outcome of the claim and litigation, if any, will not have a material effect on the Fund's financial position.

Required Supplementary Information

City of Hollywood Police Officers Retirement System
Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability (Unaudited)
Last Three Fiscal Years

<i>September 30,</i>	2016	2015	2014
Total pension liability			
Service cost	\$ 4,093,052	\$ 3,518,988	\$ 3,148,678
Interest (excluding DROP and Share)	25,130,908	24,415,878	29,080,971
Change of assumptions	25,704,000	-	-
Changes of benefit terms			
Benefit changes	-	2,093,658	-
Differences between expected and actual experience	9,005,099	5,887,738	1,770,772
Benefit payments	(23,179,330)	(23,318,201)	(22,993,671)
Refunds of contributions	(35,258)	(73,428)	(126,781)
Net change in total pension liability	40,718,471	12,524,633	10,879,969
Total pension liability- beginning	398,476,966	385,952,333	375,072,364
Total pension liability- ending	439,195,437	398,476,966	385,952,333
Plan fiduciary net position			
Contributions - City and State	13,960,747	13,425,807	12,479,297
Contributions - member	1,714,832	1,454,477	1,341,148
Net investment income	22,123,392	3,175,147	22,976,304
Benefit payments	(23,179,330)	(23,318,201)	(22,993,671)
Administrative expenses	(671,069)	(656,738)	(684,234)
Refund of contributions	(35,258)	(73,428)	(126,781)
Other	(160,748)	210,285	27,952
Net change in plan fiduciary net position	13,752,566	(5,782,651)	13,020,015
Plan fiduciary net position - beginning	245,410,242	251,192,893	238,172,878
Plan fiduciary net position - ending	\$ 259,162,808	\$ 245,410,242	\$ 251,192,893
City's net pension liability	\$ 180,032,629	\$ 153,066,724	\$ 134,759,440

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Hollywood Police Officers Retirement System
Required Supplementary Information
Schedule of the City's Net Pension Liability (Unaudited) - continued
Last Three Fiscal Years

<i>September 30,</i>	2016	2015	2014
Total pension liability	\$ 439,195,437	\$ 398,476,966	\$ 385,952,333
Plan fiduciary net position	259,162,808	245,410,242	251,192,893
City's net pension liability	\$ 180,032,629	\$ 153,066,724	\$ 134,759,440
Plan fiduciary net position as a percentage of the total pension liability	59.01%	61.59%	65.08%
Covered - employee payroll	\$ 18,649,015	\$ 16,504,396	\$ 15,092,088
City's net pension liability as a percentage of covered - employee payroll	965.37%	927.43%	892.91%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Hollywood Police Officers Retirement System
Required Supplementary Information
Schedule of Contributions by Employer (Unaudited)
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution ⁽¹⁾	\$ 13,960,747	\$ 13,425,807	\$ 12,479,297	\$ 11,072,716	\$ 9,931,274
Contributions in relation to the actuarially determined contribution	<u>13,960,747</u>	<u>13,425,807</u>	<u>12,479,297</u>	<u>11,072,716</u>	<u>9,931,274</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 18,649,015	\$ 16,504,396	\$ 15,092,088	\$ 14,581,728	\$ 13,707,806
Contributions as a percentage of covered-employee payroll	74.86%	81.35%	82.69%	75.94%	72.45%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 12,970,210	\$ 12,471,750	\$ 11,332,169	\$ 9,633,265	\$ 11,447,260
Contributions in relation to the actuarially determined contribution	<u>12,970,210</u>	<u>12,471,750</u>	<u>11,332,169</u>	<u>9,633,265</u>	<u>11,447,260</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 15,230,825	\$ 15,289,445	\$ 18,445,452	\$ 18,459,663	\$ 17,443,924
Contributions as a percentage of covered-employee payroll	<u>85.16%</u>	<u>81.57%</u>	<u>61.44%</u>	<u>52.19%</u>	<u>65.62%</u>

⁽¹⁾ The actuarially determined employer contribution for fiscal year 2016 was \$13,808,496 payable on October 1, 2015. Reflecting the actual timing of employer contributions and interest accrued from October 1, 2015, the required employer contribution for fiscal year 2016 was \$13,960,747. Employer contributions for fiscal year 2016 included City contributions of \$10,609,923 in October 2015, \$1,250,143 in January 2016, \$1,515,758 in May 2016, and \$585,223 in October 2016.

City of Hollywood Police Officers Retirement System
Required Supplementary Information
Schedule of Investment Returns (Unaudited)
Last Three Fiscal Years

<i>September 30,</i>	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	9.41%	1.59%	9.92%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Hollywood Police Officers Retirement System
Required Supplementary Information
Notes to Required Supplementary Information (Unaudited)
Last Ten Fiscal Years

Method and assumptions used in calculations of the City's actuarially determined contributions. The actuarially determined contribution rates in the schedule of the City's contributions are determined on an annual basis. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the City's contributions.

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Amortization period	18 to 30 years
Asset valuation method	5 year smoothed market
Inflation	3.50%
Projected salary increases	5.03 - 10.67%, average, including inflation
Investment rate of return	8.0%, net of pension plan investment expense, including inflation
Cost-of-living increases	None

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition.

Mortality Rates:

Healthy For healthy participants, the 1983 Group Annuity Table

Disabled For disabled participants, the 1983 Group Annuity Table

Disability Rates: Representative values of the assumed annual rates of disability among members in active service are as follows:

<u>Age</u>	<u>Disability Rates</u>	<u>Service Disability Rates</u>	<u>Age</u>	<u>Disability Rates</u>	<u>Service Disability Rates</u>
20	.0004	.0003	40	.0018	.0014
25	.0006	.0005	45	.0032	.0026
30	.0009	.0007	49	.0050	
	.0012				

Employee Withdrawal Rates: Representative values of the assumed annual rates of withdrawal among members in active service are as follows:

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	.1030	35	.0182
25	.0730	40	.0099
30		45	.0048

Marital Assumptions:

1. 75% of members are assumed married.
2. Male spouses are assumed to be three years older than female spouses.

Supplementary Schedules

City of Hollywood Police Officers Retirement System
Supplementary Schedules of Investment Expenses and Administrative Expenses
For the years ended September 30, 2016 and 2015

	2016		2015	
	% of Net Asset		% of Net Asset	
Schedule "1"				
Schedule of Investment Expenses				
Financial management expenses				
Garcia Hamilton & Associates, LP	\$ 221,856	0.09%	\$ 180,930	0.07%
Eagle Asset Management, Inc.	111,878	0.04%	149,297	0.06%
Inverness Counsel, Inc.	454,908	0.18%	508,561	0.21%
Rhumblin Advisers	19,427	0.01%	22,013	0.01%
American Realty Advisors	98,267	0.04%	92,916	0.04%
Intercontinental Real Estate Corporation	165,113	0.06%	128,610	0.05%
Wells Capital Management, Inc.	87,611	0.03%	97,279	0.04%
Snow	18,297	0.01%	-	0.00%
Total financial management expenses	1,177,357	0.45%	1,179,606	0.48%
Investment consultant fees				
Thistle Asset Consulting	46,590	0.02%	51,336	0.02%
Investment custodial fees				
Fiduciary Trust International of the South	60,232	0.02%	99,397	0.04%
Total investment expenses	\$ 1,284,179	0.50%	\$ 1,330,339	0.54%
Schedule "2"				
Schedule of Administrative Expenses				
Personnel services				
Salaries and payroll taxes	\$ 201,212	0.08%	\$ 198,108	0.08%
Fringe benefits	40,359	0.02%	39,969	0.02%
Total personnel services	241,571	0.10%	238,077	0.10%
Professional services				
Actuarial	141,062	0.05%	161,820	0.08%
Accounting and Audit	20,250	0.01%	18,200	0.01%
Legal	83,448	0.03%	62,522	0.02%
Total professional services	244,760	0.09%	242,542	0.11%
Other				
Computer expense	51,431	0.02%	41,987	0.02%
Dues & subscriptions	921	0.00%	1,349	0.00%
Insurance	28,493	0.01%	27,286	0.01%
Medical fees	17,220	0.01%	17,655	0.01%
Office expense	53,836	0.02%	56,852	0.02%
Rent	24,525	0.01%	24,525	0.01%
Staff travel and member education expense	8,312	0.00%	6,465	0.00%
Total other	184,738	0.07%	176,119	0.07%
Total administrative expenses	\$ 671,069	0.26%	\$ 656,738	0.28%