

**CITY OF NEW PORT RICHEY
POLICE OFFICERS' RETIREMENT SYSTEM**

FINANCIAL STATEMENTS
September 30, 2020 and 2019

SALTMARSH, CLEVELAND & GUND, P.A.
Certified Public Accountants

**CITY OF NEW PORT RICHEY
POLICE OFFICERS' RETIREMENT SYSTEM**

September 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
City of New Port Richey Police Officers'
Retirement System
New Port Richey, Florida

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of City of New Port Richey Police Officers' Retirement System (Plan), which comprise the statements of fiduciary net position as of September 30, 2020 and 2019, 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, 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 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 New Port Richey Police Officers'
Retirement System
New Port Richey, 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 Plan as of September 30, 2020 and 2019, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, these financial statements present only the City of New Port Richey Police Officers' Retirement System, a pension trust fund of the City of New Port Richey, Florida (City), and are not intended to present fairly the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 4 through 12 and pages 41 through 47 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,

The Board of Trustees
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Retirement System
New Port Richey, Florida

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.



Tampa, Florida
February 15, 2021

MANAGEMENT'S DISCUSSION
AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of New Port Richey Police Officers' Retirement System's (Plan's) financial statements are comprised of the Statements of Fiduciary Net Position, Statements of Changes in Fiduciary Net Position, and Notes to the Financial Statements. Also contained in the Financial Section is other required supplementary information in addition to the basic financial statements.

The *Statements of Fiduciary Net Position* provide information on the Plan's assets and liabilities, where Assets - Liabilities = Net Position available at September 30, 2020 and 2019. The statements are a snapshot of the financial position of the Plan at those specific points in time.

The ***Statements of Changes in Fiduciary Net Position*** reports how the Plan's net assets changed during the current year, where Additions - Deductions = Change in Fiduciary Net Position. The statements report the Plan's activity that occurred during the past two years and supports the changes in net assets that occurred from the beginning of the reporting year to the end of the year.

The ***Notes to the Financial Statements*** provide additional data, which is not included in the statements themselves, but is vital in understanding the financial statements. The Notes to Financial Statements are immediately following the basic financial statements.

The ***Required Supplementary Information*** following the ***Notes to the Financial Statements*** provide additional historical and detailed information considered useful in evaluating the conditions of the plan.

This discussion and analysis of the City of New Port Richey Police Officers' Retirement System's (Plan's) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ended September 30, 2020 and 2019. Please review it in conjunction with the Financial Statements which begin on page 13.

FINANCIAL HIGHLIGHTS

The Plan's net position increased by \$1,480 thousand or 160% as a result of the fiscal year's activities.

The required contributions from the City, the Florida State excise tax rebate (excluding the excess frozen amount) and employee sources, in total, increased by \$8 thousand or 4%.

Please note that there were no Plan member buy-backs during the years ended September 30, 2020 and 2019.

FINANCIAL HIGHLIGHTS (CONTINUED)

Net investment income increased by \$1,770 thousand or 200% resulting in a \$1,480 thousand increase to the change in net position for the year ended September 30, 2020.

Benefit payments increased by \$364 thousand over the prior year. There were 5 participant refunds issued during the year ended September 30, 2020.

PLAN HIGHLIGHTS

The increase in the equity markets in fiscal year 2019-2020 resulted in higher investment results for the Police Plan. The portfolio's actual allocation was under committed to domestic fixed income (as compared to the asset allocation), and the relative actuarial return of 8.31% was more than its benchmark target of 7.25% by 1.06%.

The actuarially smoothed investment return takes the difference between actual return and the anticipated 7.25% return and allocates one fifth to the current year and to each of the next four years. The impact of the returns for prior years benefitted the actuarially smoothed positive returns from the 2016, 2017, 2018, and 2019 years.

Since actual State monies received during fiscal year ended September 30, 2020 (\$229,821) were more than \$220,931, we understand the supplemental benefit to be paid in calendar year 2021 will continue to be paid at a reduced amount of \$400 for Members hired prior to October 20, 1994 and \$200 for Members hired on or after October 20, 1994.

FIDUCIARY NET POSITION

The table below shows a comparative summary of Net Position that demonstrates that the pension plan is primarily focused on the cash and investments and the restricted net position.

TABLE 1
FIDUCIARY NET POSITION

	As of September 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash and investments	\$ 31,326,134	\$ 29,500,257	\$ 29,830,343
Receivables	48,544	281,534	45,687
Prepaid expenses	129,765	123,363	122,882
Total Plan Assets	31,504,443	29,905,154	29,998,912
Liabilities	254,323	42,851	43,689
Total Liabilities	254,323	42,851	43,689
Plan Net Position	<u>\$ 31,250,120</u>	<u>\$ 29,862,303</u>	<u>\$ 29,955,223</u>

The net increase of \$1,387 thousand and the increase of \$92 thousand reflect a net change in trust activities of 5% and 1% , respectively.

CHANGES IN FIDUCIARY NET POSITION

The following comparative summary of the changes in net position reflects the activities of the trust.

TABLE 2
CHANGES IN FIDUCIARY NET POSITION

	For the Years Ended		
	September 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Additions:			
Contributions	\$ 597,641	\$ 541,005	\$ 921,153
State Excise Tax Rebate	229,821	220,931	236,919
Investment income (net)	2,484,432	700,585	3,684,762
Plan Additions	<u>3,311,894</u>	<u>1,462,521</u>	<u>4,842,834</u>
Deductions:			
Pension Benefits	1,845,797	1,481,477	1,454,150
Other	78,280	73,964	90,802
Total Deductions	<u>1,924,077</u>	<u>1,555,441</u>	<u>1,544,952</u>
Net Change in Net Position	<u>\$ 1,387,817</u>	<u>\$ (92,920)</u>	<u>\$ 3,297,882</u>

Investment market index returns were broadly positive during the 4th quarter of 2020 except for the US Government bond benchmark. Performance during the period was largely driven by expectations related to the rollout of vaccines to treat the pandemic, the resolution of the US Presidential election, and the potential for additional government stimulus. Within domestic equity markets, there was a reversal in a recent trend with small cap stocks outperforming large cap issues.

Similar to domestic stocks, international equity returns were strong during the 4th quarter of 2020. International markets also benefitted from the release of vaccines in addition to monetary policy relief from the European Central Bank. International returns were also amplified by a weakening US dollar which continued its decline against most major currencies.

Fixed income index performance was disparate during the 4th quarter. Corporate bonds performed well during the period as evidenced by the 3.0% return of the Bloomberg Barclays Corporate Investment Grade Index.

The Plan's investment activity, measured as of the end of any quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. There was some opportunity for positive returns on investment of a diversified portfolio for this fiscal year.

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

PLAN MEMBERSHIP

The following table reflects the Plan membership as of the beginning and ending of the year.

**TABLE 3
CHANGES IN PLAN MEMBERSHIP**

	<u>September 30,</u>			2019-2020 <u>Change</u>	2018-2019 <u>Change</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>		
Active Participants:					
Vested	9	5	10	4	5
Non-vested	32	35	31	3	4
Drop Retirees	4	4	2	-	2
Retirees & Beneficiaries	44	44	41	-	3
Terminated entitled to benefits	6	5	5	1	-

FUNDING STATUS

Of primary concern to most pension plan participants is the amount of money available to pay benefits. Historically, pension plans have been under-funded when the employer failed to make annual actuarially required contributions to the Plan. The City has traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary. A net pension asset has typically existed for the Plan. This is due in large part to implementation of conservative business practices and to the funding requirements established in Florida law.

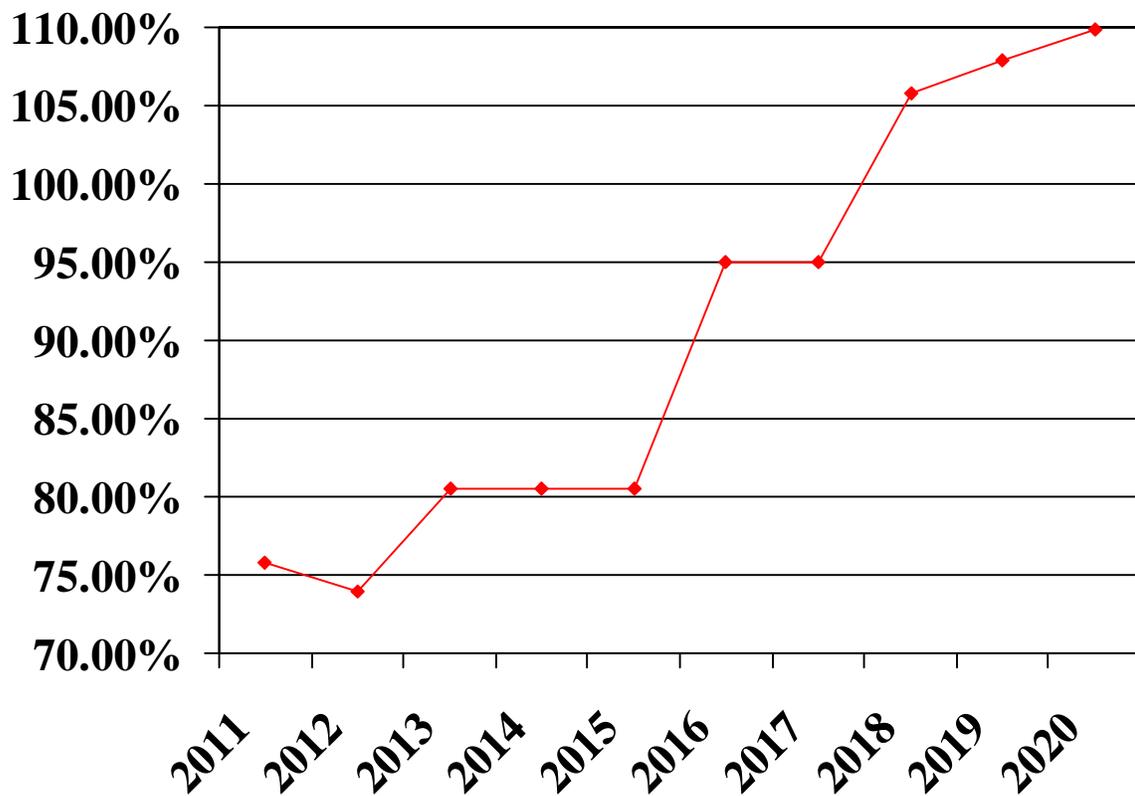
In 1968, Florida became the first state to constitutionally require local governments to fund pension obligations in a reasonable and systematic manner. Additionally, F.S. Chapter 112 requires local pension plans to be funded based upon actuarial valuations prepared in conformance to industry standards and by enrolled actuaries. To ensure this, the State has an actuary on staff. Each actuarial report must be submitted to and accepted by the State. State acceptance must be obtained before the actuarial report and its proposed contribution rate is authorized for use.

An indicator of funding status is the ratio of the Plan Fiduciary Net Position to the total pension liability. An increase in this percentage over time usually indicates a plan is becoming financially stronger. However, a decrease will not necessarily indicate a plan is in financial decline. Changes in actuarial assumptions can significantly impact the AAL. Performance in the stock and bond markets can have a material impact on the actuarial value of assets.

TABLE 5

**SCHEDULE OF FUNDING PROGRESS
FUNDED RATIO**

The actuary uses a five-year forward fair value smoothing method to establish the actuarial value of the assets (used to determine the funded ratio). As of September 30, 2020 the Actuarial Value of the Assets exceeded the actual Fair Value of net assets as a result of the smoothing methodology.



ASSET ALLOCATION

The following table indicates the policy target asset allocation for September 30, 2020, 2019 and 2018.

TABLE 5
ASSET ALLOCATION POLICY
(by %)

	September 30,					
	<u>2020</u>		<u>2019</u>		<u>2018</u>	
EQUITY						
Domestic:	-	60%	-	60%	-	60%
Growth	30	-	30	-	30	-
Value	30	-	30	-	30	-
BONDS	-	30	-	30	-	30
Aggregate	30	-	30	-	30	-
Alternative:	-	-	-	-	-	-
REIT	10	10	10	10	10	10
TOTAL	100%	100%	100%	100%	100%	100%

INVESTMENT ACTIVITIES

Investment income is vital to the Plan's current and continued financial stability. Therefore, Trustees have a fiduciary responsibility to act prudently and discretely when making Plan investment decisions. To assist the Board in this area, a comprehensive formal investment policy is updated periodically. As managers and asset classes have been added, specific detailed investment guidelines have been developed, adopted, and included as an addendum to each manager's Investment Advisory Agreement. The Investment Policy Statement was amended for Board approval in 2019 to incorporate changes or clearly address statutory requirements adopted by the Florida State Legislature. The Policy generally follows Employee Retirement Income Security Act (ERISA) private sector diversification guidelines and is periodically reviewed, modified (if necessary) and ratified. Significant and atypical limitations (although recently reduced) are placed on the Board's investment authority by F.S. Chapter 185.

Portfolio performance is reviewed quarterly by the Board and its Consultant. Performance is evaluated individually by money manager style, collectively by investment type and for the aggregate portfolio. Investment types include domestic equity, fixed income and alternative.

The total fund investment performance for fiscal year 2020 yielded a market value positive return of 8.31%, which was over the long-term net 7.25% actuarial return assumption target for the year. These returns are viewed, at this time, to be cyclical and the 7.25% assumption is still deemed reasonable in the long-term. However, as with all the actuarial assumptions, it is monitored annually.

ECONOMIC FACTORS

The primary function of the pension trust is to (a) appropriately award and pay benefits and (b) manage investments. The opportunity available considering various investment choices is invaluable in the asset allocation and money manager oversight.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, plan participants and the marketplace's credit analysis with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or need additional information, please contact the Board's Plan Administrator, 6739 Adams Street, New Port Richey, Florida 34652.

COVID-19

The 2019 Novel Coronavirus infections ('coronavirus') or 'COVID-19' outbreak poses a serious public health threat. It has interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and businesses. The resulting impact on financial reporting will be significant.

Significant development and spread of the coronavirus did not take place until January 2020. At December 31, 2019, only certain events and associated actions had taken place, such as the Wuhan Municipal Health Committee's issue on December 30, 2019.

However, although cases were reported to the World Health Organization (WHO) on December 31, 2019, the WHO did not announce the coronavirus as a global health emergency until January 30, 2020, which prompted national governments to begin putting actions in place to slow the spread of COVID-19. In addition, significant measures taken by the Chinese government and by the private sector organizations did not take place until early 2020. As such the outbreak represents a recognized subsequent event for purposes of September 30, 2020 financial statements.

BASIC FINANCIAL STATEMENTS

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

September 30, 2020 and 2019

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ 133,096	\$ 26,065
Receivables:		
Employees	-	1,620
Interest	24,891	45,981
Dividends	11,802	13,002
Broker-Dealers	11,851	-
State excise tax rebate	<u>-</u>	<u>220,931</u>
Total receivables	48,544	281,534
Prepaid expenses	129,765	123,363
Investments at fair value:		
U.S. Government obligations	323,625	2,490,508
U.S. Government agency obligations	3,461,172	1,107,903
Domestic corporate bonds	3,902,057	4,377,579
Domestic stocks	18,963,234	17,692,231
Real estate investment fund	3,640,450	3,524,471
Temporary investment funds	<u>902,500</u>	<u>281,500</u>
Total investments	<u>31,193,038</u>	<u>29,474,192</u>
Total assets	31,504,443	29,905,154
	<u>Liabilities</u>	
Accounts payable	43,416	42,851
Accounts payable, Broker-Dealers	<u>210,907</u>	<u>-</u>
Total liabilities	<u>254,323</u>	<u>42,851</u>
Net position restricted for pensions	<u>\$ 31,250,120</u>	<u>\$ 29,862,303</u>

See Notes to Financial Statements.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Additions:		
Contributions:		
Employer	\$ 424,341	\$ 373,667
Plan members	<u>173,300</u>	<u>167,338</u>
Total contributions	597,641	541,005
Intergovernmental revenue:		
State excise tax rebate	229,821	220,931
Investment income:		
Net appreciation (depreciation)		
in fair value of investments	2,162,835	376,147
Interest	245,729	249,128
Dividends	230,084	239,877
Commission recapture	1,904	4,485
Class action settlements	150	1,993
Other	<u>1,621</u>	<u>-</u>
Investment income	2,642,323	871,630
Less investment expenses	<u>157,891</u>	<u>171,045</u>
Net investment income	<u>2,484,432</u>	<u>700,585</u>
Total additions	3,311,894	1,462,521
Deductions:		
Benefits:		
Age and service	1,384,475	1,349,525
Disability	74,612	74,612
DROP payments	228,966	-
13th check	117,914	-
Refunds of contributions	39,830	57,340
Administrative expenses	<u>78,280</u>	<u>73,964</u>
Total deductions	<u>1,924,077</u>	<u>1,555,441</u>
Net increase (decrease) in net position	1,387,817	(92,920)
Net position restricted for pensions:		
Beginning of year	<u>29,862,303</u>	<u>29,955,223</u>
End of year	\$ <u><u>31,250,120</u></u>	\$ <u><u>29,862,303</u></u>

See Notes to Financial Statements.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

1. Description of Plan

The following brief description of the City of New Port Richey Police Officers' Retirement System (Plan) is provided for general information purposes only. Participants should refer to the Plan Ordinance for more complete information.

The plan is a defined benefit pension plan covering all full-time sworn police officers of the City of New Port Richey, Florida (City).

At September 30, 2020 the Plan's membership consisted of:

Retirees and beneficiaries:

Currently receiving benefits	44
DROP retirees	4
Terminated employees entitled to benefits but not yet receiving them	6
	<hr/>
Total	54
	<hr/> <hr/>

Current employees:

Vested	9
Nonvested	32
	<hr/>
Total	41
	<hr/> <hr/>

At September 30, 2020 the date of the most recent actuarial valuation, there were 44 retirees and beneficiaries receiving benefits.

General - The Plan is a defined benefit pension plan covering all sworn police officers of the City. Participation in the Plan is required as a condition of employment. Originally established in 1969 and amended in 2001, 2004, 2005, and 2018, the Plan provides for pension, death and disability benefits. The Plan is subject to provisions of Chapter 185 of the State of Florida Statutes.

The Plan, in accordance with the above statute, is governed by a five member pension board. Two police officers, 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 is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

1. Description of Plan (Continued)

Pension Benefits - Under the Plan, participants with 10 or more years of continuous service are entitled to annual pension benefits beginning at normal retirement age (50) or before age 50 if they have completed 20 continuous years of service. Benefits are equal to 3.25% of the participants average final compensation for each year of credited service provided however, in no extent shall the monthly benefit exceed 75% of average final compensation. A participant's monthly retirement benefit ceases upon the later of death or 120 months from the date of commencement. A participant who terminates prior to 10 continuous years of service forfeits the right to receive all benefits he/she has accumulated. However, he/she retains the right of refund of all personal contributions made to the Plan. All retirees including disability retirees and vested terminated persons who retire on or after October 1, 2004 and their beneficiaries shall receive a \$500 (\$400 as of January 1, 2010) supplemental benefit. This benefit shall also include participants who enter the DROP on or after October 1, 2004. An additional benefit of four hundred dollars per month, payable for life, shall be paid to all retirees who became members of the Plan prior to October 20, 1994. This benefit was temporarily reduced to three hundred dollars per month for the period from January 31, 1993 through September 14, 1994. Effective September 15, 1994 the supplemental benefit returned to four hundred dollars per month. For those who became members on or after October 20, 1994 the additional benefit is two hundred dollars per month.

Death Benefits - For any deceased employee who had been an actively employed participant eligible for early, normal or delayed retirement, the benefit payable shall be at least equal to the annuity of ten years calculated as of the date of death. Benefits payable under service-connected death for participants ineligible for early retirement shall be payable to the spouse at the rate of 60% of the participant's regular base salary plus \$500 (before January 1, 2010), \$400 or \$200 per month until death. If there is no spouse, or upon the death of the spouse, each unmarried child shall receive 15% of the participant's regular base salary (aggregate not greater than 60%) plus \$500 (before January 1, 2010), \$400 or \$200 per month until age of 18, or the age of 22 if a full-time student at an accredited institution. After five years of continuous service, nonservice-connected death benefits shall be payable to the spouse at the rate of 30% of the participant's regular base salary plus \$400 or \$200 per month until the earlier of death or remarriage of the spouse. Benefits are payable to the children in amounts equal to one-half of the benefits as are payable by reason of service-incurred death.

Disability Benefits - Benefits payable to participants under service-incurred disability shall be monthly installments of 60% of participant's regular monthly base salary in effect at the date of disability plus \$500 (before January 1, 2010), \$400 or \$200 per month. The benefit shall be paid from the date of disability until recovery or death of the participant and continued to the beneficiary for life. After one year of continuous service, should a participant become disabled due to a nonservice-incurred cause, benefits of 30% of the participant's regular monthly base salary plus \$500 (before January 1, 2010), or \$400 shall be paid monthly from date of disability until recovery or death. For those who became members on or after October 20, 1994 the benefit will equal 5% of regular base salary for each year of service not to exceed 30%. Disability

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

1. Description of Plan (Continued)

payments may be reduced proportionally to the extent that the disabled participant's benefits received hereunder with additional earned income exceed his earnings for the calendar year preceding disability. An optional form of benefit, providing death benefits, may be elected, but one hundred twenty (120) payments shall be guaranteed in any event.

Notwithstanding the foregoing, the benefits for service connected disabilities cannot be reduced below the greater of 42% of average final compensation, two percent of average compensation times the number of years of credited service or 3.25% of regular base salary for each year of credited service not to exceed 75% of regular base salary.

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

Refund and Compulsory Contributions - Nonvested participants, upon termination, may request return of their compulsory contributions or leave them on deposit with the Plan. The Plan does not pay any interest on compulsory account balances or contributions returned.

Covered officers are required to contribute 4.5% of their salary to the Plan for the period from October 1, 1998 through January 16, 1999, 1.9% for the period from January 17, 1999 through the payroll for the week ended July 15, 2000, and 4.5% for the period from July 16, 2000 through the year ended September 30, 2009. Effective November 7, 2017, members will contribute 6.5% of salary, reduced to equal the City contribution in any year that the City contribution is less than 6.5% of covered payroll. If an officer retires, dies, becomes disabled, or terminates employment with the City, accumulated contributions are refunded to the officer or his/her designated beneficiary.

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.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies

Share Account - a Chapter, 185 share account was established during the fiscal year ended September 30, 2018. This supplemental benefit component was not funded during the fiscal years ended September 30, 2020 or 2019.

Basis of Presentation - The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Defined Benefit Pension Plans* and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer. The accompanying financial statements include solely the accounts of the Plan which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service, disability and death benefits required under the terms of the Plan and the amendments thereto.

Valuation of Investments - Investments traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the past reported bid and asked prices; investments in securities not having an established market value are valued at fair value as determined by the Board of Trustees. The fair value of an investment is the Price that the Plan would receive to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of investments are recorded on a trade date basis.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the Statement of Changes in Fiduciary Net Position.

Custody of Assets - Custodial and certain investment services are provided to the Plan under contracts with a custodian having trust powers in the State of Florida. The Plan's investment policies are governed by ordinances of the City of New Port Richey, Florida and Florida State Statutes.

Authorized Plan Investments - The Board recognizes that the obligations of the Plan are long-term and that its investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the prudent investor rule and Chapter 185 of the Florida Statutes.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, high capitalization common or preferred stocks, pooled equity funds, high quality bonds or notes and fixed income funds. In addition, the Board requires that Plan assets be invested with no more than 70% in stocks and convertible securities measured at cost.

In addition, the Plan limits investment in common stock (equity investments) as follows:

- a. No more than five percent of the Plan's assets may be invested in the common or capital stock of any single corporation.
- b. The Plan's investment in the common stock of any single corporation shall not exceed five percent of such corporation's outstanding common or capital stock.

Actuarial Cost Method - The Plan has elected the Entry Age - Normal Cost Method for funding purposes. Under this method the normal cost for each participant is a level percentage of pay that would be required annually from his entry age to his assumed retirement age. The actuarial accrued liability for each participant is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of Plan assets.

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 New Port Richey, Florida.

The Plan is included in the City's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2020 and 2019, which are separately issued documents. Anyone wishing further information about the City is referred to the City's CAFR.

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

Subsequent Events - Management has adopted the provisions set forth in GASB statement No. 56, *Subsequent Events*, and considered subsequent events through February 15, 2021, which is the date that the financial statements were available to be issued.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

On January 30, 2020, the World Health Organization (“WHO”) declared that the outbreak of the coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) constituted a Public Health Emergency of International Concern (“PHEIC”), creating risks to the international community as the virus spread globally beyond its point of origin. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result, there has been heightened market risk and the Plan’s investment portfolio has incurred significant volatility in fair value since that time. Because the values of the Plan’s individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, and the related impact on the Plan’s liquidity cannot be determined at this time.

GASB statement No. 72 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.

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.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

3. Funding Policy

As a condition of participation, officers are required to contribute 6.5% of their earnings to the Plan. These contributions are designated as employer contributions under Section 414(h) of the Internal Revenue Code. The accumulated contributions of current participants at September 30, 2020 and 2019 were \$916,000 and \$925,000 , respectively. The City's funding policy is to make fixed, actuarially computed monthly contributions to the Plan in amounts, such that, when combined with officers' contributions and the State insurance excise tax, all officers' benefits will be fully provided for by the time they retire. The participants' contribution shall be reduced to equal the City's contribution in years where the annual actuarial valuation indicates that the City's required contribution is less than 6.5% but shall not be reduced to less than one percent. The City's contributions for the year ended September 30, 2020 was 16.1%.

The Plan's administrative costs are financed through investment earnings. The Plan has no undue investment concentrations.

4. Plan Termination

Although it has not expressed any intention to do so, the City may terminate the Plan at any time by a written ordinance of the City Commission of New Port Richey, 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 officer in the Plan at such termination date would be non-forfeitable.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

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

The Plan's investments appreciated (depreciated) in value during the years ended September 30, 2020 and 2019 as follows:

	2020			2019		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:						
U.S. Government obligations	\$ 505,139	\$ (35,910)	\$ 469,229	\$ 225	\$ 234,258	\$ 234,483
U.S. Government agency obligations	(3,996)	3,472	(524)	(15,486)	22,298	6,812
Domestic corporate bonds	54,404	111,974	166,378	11,870	41,990	53,860
Domestic stocks	282,716	1,213,338	1,496,054	(322,794)	271,115	(51,679)
Real estate investment fund	-	31,698	31,698	-	132,671	132,671
Net increase (decrease) in realized and unrealized appreciation of investments	\$ 838,263	\$ 1,324,572	\$ 2,162,835	\$ (326,185)	\$ 702,332	\$ 376,147

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 2020 and 2019 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

6. Deferred Distributions

Contributions of vested terminated participants which remain in the Plan and included in net position as of September 30, 2020 and 2019 were \$5,313 and \$7,941, respectively.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

7. Deposits and Investments

Deposits

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

Investments

The Plan's investments are uninsured and unregistered or the securities are held by the Plan or its agent in the Plan's name. Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-end mutual funds.

The Plan's independently managed investments are segregated into three separate accounts and managed under separate investment agreements with Jackson Creek Investment Advisor, LLC, Logan Capital Management (Logan), and Garcia, Hamilton, Jackson & Associates, L.P. (Garcia). These accounts give Fiduciary Trust Company of the South, Inc. the custodianship, but gives Garcia, Jackson Creek and Logan the authority to manage the investments. These assets are invested in accordance with the specific investment guidelines as set forth in Section 4 of the Plan Ordinance. Investment management and custodial fees are calculated quarterly as a percentage of the fair market value of the Plan's assets managed.

The REIT is held by U.S. Real Estate Investment Fund, L.L.C. (U.S. Real Estate). These assets are invested in accordance with the specific investment guidelines of the Plan. Investment management fees are calculated quarterly as a percentage of the fair market value of the Fund's assets managed.

The investment managers listed above are monitored by the Board of Trustees and an investment advisor.

Except for the investments held by U.S. Real Estate, the Plan's investments are uninsured and unregistered and are held in the custodians' or the Bank's accounts in the Plan's name as described above. The U.S. Real Estate is a real estate investment trust.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

7. Deposits and Investments (Continued)

U.S. Real Estate Investment Trust is an alternative investment vehicle valued using the net asset value (NAV) provided by the investment managers of this fund. The NAV is based on the value of the underlying assets owned by this fund minus its liabilities and then divided by the number of shares or percentage of ownership outstanding. The NAV's unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments.

The value of these alternative investments are not necessarily indicative of the amount that could be realized in a current transaction. The fair value may differ significantly from the value that would have been used had a ready market for the underlying funds existed, and the differences could be material. Future confirming events will also affect the estimates of fair value and the effect of such events on the estimates of fair value could be material.

The Plan held no investments that individually represent 5% or more of the Plan's net assets available for benefits during the years ended September 30, 2020 and 2019, respectively.

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

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

7. Deposits and Investments (Continued)

The Plan held the following fixed investments as of September 30, 2020 and 2019:

Investment Type	Fair Value		Overall	Average
	9/30/20	9/30/19	Credit Rating (Standards & Poor's and Moody's)	Effective Duration (Years)
U.S. Government obligations	\$ 323,625	\$ 2,490,508	AA	5.2
U.S. Government agency obligations	3,461,172	1,107,903	AA	8.3
Domestic corporate bonds	3,902,057	4,377,579	A	5.9
Temporary investment funds	902,500	281,500	N/A	N/A
	<u>\$ 8,589,354</u>	<u>\$ 8,257,490</u>		

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 one or more recognized bond rating service at the time of purchase. Fixed income investments which are downgraded to 'BAA' or equivalent must be liquidated within a reasonable period of time not to exceed twelve months. Fixed income investments which are downgraded below 'BAA' shall be liquidated immediately.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Through its investment policies the Plan manages its exposure to fair value losses arising from increasing interest rates. In this regard the Plan adopted the Barclays Capital Aggregate Bond Index benchmark. The Plan further limited the effective duration of its fixed investment portfolio to 120% of the duration of the LBAB duration.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

7. Deposits and Investments (Continued)

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.

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

Investments at both fair value and cost or adjusted cost as of September 30, 2020 and 2019, are summarized as follows:

Investments	2020		2019	
	Cost	Fair Value	Cost	Fair Value
U.S. Government obligations	\$ 322,577	\$ 323,625	\$ 2,285,463	\$ 2,490,508
U.S. Government agency obligations	3,461,603	3,461,172	1,111,807	1,107,903
Domestic corporate bonds	3,744,503	3,902,057	4,331,999	4,377,579
Domestic stocks	11,626,033	18,963,234	11,568,368	17,692,231
Real estate investment fund	2,462,433	3,640,450	2,378,152	3,524,471
Temporary investment funds	902,500	902,500	281,500	281,500
Total	<u>\$ 22,519,649</u>	<u>\$ 31,193,038</u>	<u>\$ 21,957,289</u>	<u>\$ 29,474,192</u>

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

7. Deposits and Investments (Continued)

Investment Asset Allocation - The Plan's adopted asset allocation policy as of September 30, 2020 is as follows:

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

<u>Asset Class</u>	<u>Target</u>
Domestic equity	60%
Domestic fixed income	30%
Real Estate	10%

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

Rate of Return - For the years ended September 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.31 percent and 1.99 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

8. Investment Measurement at 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.

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.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

8. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

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.

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, 2020 and 2019:

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

8. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

- *Debt securities* - Debt securities classified in Level 1 or Level 2 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 Pricing and Reference Data, LLC 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 NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

8. Investment Measurement at 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 Trust has the following total recurring fair value measurements as of September 30, 2020 and 2019:

Investments by fair value level	September 30, 2020	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)
Debt Securities:				
U.S. Government obligations	\$ 323,625	\$ -	\$ 323,625	\$ -
U.S. Government agency obligations	3,461,172	-	3,461,172	-
Corporate bonds	<u>3,902,057</u>	-	<u>3,902,057</u>	-
Total debt securities	7,686,854	-	7,686,854	-
Equity securities:				
Domestic stocks	<u>18,963,234</u>	<u>18,963,234</u>	-	-
Total equity securities	18,963,234	18,963,234	-	-
Temporary investment funds	<u>902,500</u>	<u>902,500</u>	-	-
Total investments by fair value level	27,552,588	<u>\$ 19,865,734</u>	<u>\$ 7,686,854</u>	<u>\$ -</u>
Investment measured at the net asset value (NAV):				
Real estate fund	<u>3,640,450</u>			
Total investment measured at the NAV	<u>\$ 3,640,450</u>			
Total investments measured at fair value	<u>\$ 31,193,038</u>			

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

8. Investment Measurement at Fair Value (Continued)

Debt and equity 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 to value securities based on the securities' relationship to benchmark quoted prices.

Investments measured at the NAV	Fair Value 2020	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
U.S. Real Estate Investment Fund, LLC	\$ 3,640,450	\$ -	Quarterly	90 days
Total investment measured at NAV	<u>\$ 3,640,450</u>	<u>\$ -</u>		

- The real estate investment fund (U.S. Real Estate Investment Fund, LLC.) is an open end, commingled private real estate portfolio. This REIT - based fund is structured as a Limited partnership. Its primary focus is to invest in well-leased, income producing properties within major U.S. markets. The fair values of the investments in this fund have been determined using the NAV per unit of the Trust's ownership interest in partners' capital. The investments of the fund are valued quarterly. Withdrawal requests must be made 90 days in advance and may be paid in one or more installments.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

8. Investment Measurement at Fair Value (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	2019			
Debt Securities:				
U.S. Government obligations	\$ 2,490,508	\$ -	\$ 2,490,508	\$ -
U.S. Government agency obligations	1,107,903	-	1,107,903	-
Corporate bonds	<u>4,377,579</u>	-	<u>4,377,279</u>	-
Total debt securities	7,975,990	-	7,975,690	-
Equity securities:				
Domestic stocks	<u>17,692,231</u>	<u>17,692,231</u>	-	-
Total equity securities	17,692,231	17,692,231	-	-
Temporary investment funds	<u>281,500</u>	<u>281,500</u>	-	-
Total investments by fair value level	25,949,721	<u>\$ 17,973,731</u>	<u>\$ 7,975,690</u>	<u>\$ -</u>
Investment measured at the net asset value (NAV):				
Real estate fund	<u>3,524,471</u>			
Total investment measured at the NAV	<u>\$ 3,524,471</u>			
Total investments measured at fair value	<u>\$ 29,474,192</u>			

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

8. Investment Measurement at Fair Value (Continued)

Investments measured at the NAV	Fair Value 2019	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
U.S. Real Estate Investment Fund, LLC	\$ 3,524,471	\$ -	Quarterly	90 days
Total investment measured at NAV	<u>\$ 3,524,471</u>	<u>\$ -</u>		

- The real estate investment fund (U.S. Real Estate Investment Fund, LLC.) is an open end, commingled private real estate portfolio. This REIT - based fund is structured as a Limited partnership. Its primary focus is to invest in well-leased, income producing properties within major U.S. markets. The fair values of the investments in this fund have been determined using the NAV per unit of the Trust's ownership interest in partners' capital. The investments of the fund are valued quarterly. Withdrawal requests must be made 90 days in advance and may be paid in one or more installments.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

9. Investment and Administrative Expenses

Investment and administrative expenses for the years ended September 30, 2020 and 2019 are summarized as follows:

	2020		2019	
	Investment	Administrative	Investment	Administrative
Accounting	\$ -	\$ 6,000	\$ -	\$ 6,300
Actuary	-	32,176	-	28,168
Administrator	-	12,000	-	11,600
Audit	-	14,000	-	13,000
Dues and subscriptions	-	620	-	1,200
Fiduciary Trust Custodial fee	13,872	-	13,781	-
Fiduciary Insurance	-	4,228	-	4,231
Legal	-	9,241	-	7,522
361 Capital LLC fees	32,823	-	49,931	-
Jackson Creek Investment fees	11,023	-	-	-
Logan Capital Management fees	60,403	-	67,390	-
Garcia, Hamilton & Associates, L.P. fees	20,284	-	20,389	-
Performance monitor	19,486	-	19,554	-
Office	-	15	-	502
Seminars and travel	-	-	-	1,441
Total	\$ 157,891	\$ 78,280	\$ 171,045	\$ 73,964
Percentage of plan net position	0.50%	0.25%	0.57%	0.25%

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

10. Designations

A portion of the net position is 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, 2020 are presented below as determined in the most recent annual actuarial valuation available:

	Net Position	
	2020	2019
Designated for DROP accounts (fully funded)	\$ 343,099	\$ 326,906
Total designated net position	343,099	326,906
Undesignated net position	30,907,021	29,535,397
Total net position	\$ 31,250,120	\$ 29,862,303

11. Risks 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 position restricted for pensions.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS September 30, 2020 and 2019

12. Mortgage-Backed Securities

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

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

13. Assumption Changes

The mortality assumption has been updated to use the mortality assumption used by the Florida Retirement System (FRS) as required under F.S. Chapter 2015-157. The assumed salary increase factors, withdrawal rates, retirement rates and the investment return assumption were updated. The remaining actuarial assumptions and methods are unchanged from October 1, 2019 Actuarial Valuation.

14. Plan Amendments

The Plan was amended during the fiscal year ended September 30, 2020:

Ordinance No. 2019-2157

A one-time additional benefit payment equal to the sum of the current regular monthly benefit payment and the supplemental benefit payment will be paid on December 1, 2019 to members who were receiving a benefit.

Based upon the results of the Actuarial Impact Statement, the proposed Ordinance increases the System Actuarial Accrued Liability by \$124,764 (5.1% of pensionable pay) but does not impact the first year Net City Minimum Funding Requirement.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

14. Plan Amendments (Continued)

ORDINANCE No. 2019-2158

1. Corrects grammatical errors in disability benefits.
2. Updates maximum benefit limitations in compliance with the Internal Revenue Code (IRC).
3. Adds a section regarding missing benefit recipients to comply with the IRC.
4. Amends reemployment after retirement to comply with the IRC.

This proposed ordinance is a no cost ordinance.

The Plan was amended during the year ended September 30, 2019 as follows:

Normal Retirement eligibility for members who were vested (completed ten (10) years of Credited Service) as of November 7, 2017 shall be the earlier of 1) attainment of age fifty (50) and completion of ten (10) years of Credited Service or 2) completion of twenty (20) years of Credited Service.

This Ordinance increases the first year annual City contribution by \$23,789.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

15. Net Pension Liability of the City

The components of net position liability of the City of New Port Richey (City) as of September 30, 2020 were as follows:

Total pension liability	\$ 28,698,773
Plan fiduciary net position	<u>31,250,120</u>
City's Net Pension Liability (Asset)	<u><u>\$ (2,551,347)</u></u>
 Plan Fiduciary Net Position as a percentage of total pension liability (asset)	 <u><u>(108.89)%</u></u>

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

Target Allocation	Asset Class	Long-Term Expected Real Rate of Return
60%	Domestic equity	5.50
30%	Domestic fixed income	2.50
10%	Real estate	4.50

Discount Rate - The discount rate used to measure the total pension liability was 7.25 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.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

15. Net Pension Liability of the City (Continued)

Sensitivity of the City's 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 7.25%, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate.

**Sensitivity of the Net Pension Liability
to the Single Discount Rate Assumption**

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
	<u> </u>	<u> </u>	<u> </u>
City's net pension liability (asset) \$	\$ <u> 594,011</u>	\$ <u> (2,551,347)</u>	\$ <u> (5,416,183)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY

Last Seven Fiscal Years

	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total pension liability:							
Service cost	\$ 605,593	\$ 710,034	\$ 676,144	\$ 770,072	\$ 760,315	\$ 685,630	\$ 728,582
Interest	2,000,243	1,997,614	1,916,514	1,970,862	1,939,254	1,895,631	1,799,225
Benefit changes	134,434	615,658	(2,507,861)	-	-	-	-
Difference between expected and actual experience	(101,689)	(722,312)	654,544	(610,687)	(704,111)	(18,648)	(780,543)
Assumption changes	874,824	-	-	686,077	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,845,797)</u>	<u>(1,481,477)</u>	<u>(1,466,384)</u>	<u>(1,727,246)</u>	<u>(1,456,540)</u>	<u>(1,337,591)</u>	<u>(1,205,714)</u>
Net change in total pension liability	1,667,608	1,119,517	(727,043)	1,089,078	538,918	1,225,022	541,550
Total pension liability - beginning	<u>27,031,165</u>	<u>25,911,648</u>	<u>26,638,691</u>	<u>25,549,613</u>	<u>25,010,695</u>	<u>23,785,673</u>	<u>23,244,123</u>
Total pension liability ending (a)	\$ <u>28,698,773</u>	\$ <u>27,031,165</u>	\$ <u>25,911,648</u>	\$ <u>26,638,691</u>	\$ <u>25,549,613</u>	\$ <u>25,010,695</u>	\$ <u>23,785,673</u>
Plan fiduciary net position:							
Contributions - employer and state	\$ 654,162	\$ 594,598	\$ 1,046,237	\$ 1,262,959	\$ 1,182,194	\$ 1,118,829	\$ 943,208
Contributions - members	173,300	167,338	111,835	111,261	105,320	97,124	90,712
Net investment income	2,484,432	700,585	3,696,996	3,011,138	1,211,993	1,036,070	2,603,632
Benefit payments including refunds of employee contributions	(1,845,797)	(1,481,477)	(1,466,384)	(1,727,246)	(1,456,540)	(1,337,591)	(1,205,714)
Administrative expenses	(78,280)	(73,964)	(90,802)	(65,265)	(53,575)	(58,144)	(51,602)
Other	<u>-</u>						
Net change in plan fiduciary net position	1,387,817	(92,920)	3,297,882	2,592,847	989,392	856,288	2,380,236
Plan fiduciary net position - beginning	<u>29,862,303</u>	<u>29,955,223</u>	<u>26,657,341</u>	<u>24,064,494</u>	<u>23,075,102</u>	<u>22,218,814</u>	<u>19,838,578</u>
Plan fiduciary net position - ending (b)	\$ <u>31,250,120</u>	\$ <u>29,862,303</u>	\$ <u>29,955,223</u>	\$ <u>26,657,341</u>	\$ <u>24,064,494</u>	\$ <u>23,075,102</u>	\$ <u>22,218,814</u>
Net pension liability (asset) (a) - (b)	\$ <u>(2,551,347)</u>	\$ <u>(2,831,138)</u>	\$ <u>(4,043,575)</u>	\$ <u>(18,650)</u>	\$ <u>1,485,119</u>	\$ <u>1,935,593</u>	\$ <u>1,566,854</u>

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

SCHEDULE OF RATIOS

Last Seven Fiscal Years

	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015*</u>	<u>September 30, 2014*</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>108.89%</u>	<u>110.47%</u>	<u>115.61%</u>	<u>100.07%</u>	<u>94.79%</u>	<u>92.26%</u>	<u>93.41%</u>
Covered employee payroll*	\$ <u>2,666,145</u>	\$ <u>2,574,417</u>	\$ <u>2,484,983</u>	\$ <u>2,472,455</u>	\$ <u>2,335,381</u>	\$ <u>2,158,300</u>	\$ <u>1,912,968</u>
Net pension liability as a percentage of covered payroll**	<u>(95.69)%</u>	<u>(109.97)%</u>	<u>(162.72)%</u>	<u>(0.75)%</u>	<u>63.59%</u>	<u>89.68%</u>	<u>81.91%</u>

Notes to Schedule of Changes in the City's Net Pension Liability:

Valuation Date	<u>10/1/2019</u>	<u>10/1/2018</u>	<u>10/1/2017</u>	<u>10/1/2016</u>	<u>10/1/2015</u>	<u>10/1/2014</u>	<u>10/1/2013</u>
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Update procedures used to roll forward TPL including DROP account balances and reserve for excess State Funds to the measurement dates - actual DROP account balances and reserve for excess State Fund as of the measurement dates included in TPL.

See Notes to Schedule of Contributions for a history of assumption changes and benefit changes prior to fiscal year ended September 30, 2020. For fiscal year ended September 30, 2020. Benefit changes - a one-time additional benefit payment (13th check) payable on December 1, 2019;

Assumption changes - withdrawal rates, salary increase factors and rates of retirement were updated.

* As reported in System's financial statements.

**Reported payroll used to determine contribution as provided under GASB Statement Number 82,

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

SCHEDULE OF CITY CONTRIBUTIONS

Last Ten Fiscal Years

<u>Fiscal Year Ended September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution⁽¹⁾</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll^(2,3)</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2011	\$ 1,095,042	\$ 1,130,593	\$ (35,551)	\$ 1,920,441	58.87%
2012	1,109,699	1,194,992	(85,293)	2,101,073	56.88%
2013	1,126,730	1,126,730	-	2,144,794	52.53%
2014	1,183,428	943,208	240,220	2,144,984	49.31%
2015	1,118,829	1,118,829	-	2,360,427	51.84%
2016	1,162,424	1,182,194	(19,770)	2,335,381	50.62%
2017	1,075,632	1,262,959	(187,327)	2,472,455	51.08%
2018	992,658	1,046,237	(53,579)	2,484,983	42.10%
2019	587,634	594,598	(6,964)	2,574,417	23.10%
2020	660,836	654,162	6,674	2,666,145	24.54%

¹ Reflects contributions on a cash basis as provided under GASB Statement Number 67

² Projected prior to fiscal year ended September 30, 2014

³ Reported payroll used to determine contribution as provided under GASB Statement Number 82

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO THE SCHEDULE OF CITY CONTRIBUTIONS

Valuation date: Actuarially determined contribution rates are calculated as of October 1 - two year(s) prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year

Ended September 30, 2018:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	5-year smoothed
Inflation	2.75%
Salary Increases	5.5% - 8.0%
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	For Healthy Police Officer participants during employment, RP 2000 Combined Healthy Participant Mortality Table, separate rates for males and females, with 90% Blue Collar Adjustment / 10% White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy Police Officer participants post employment, RP 2000 Annuity Mortality Table, separate rates for males and females, with 90% Blue Collar Adjustment / 10% White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO THE SCHEDULE OF CITY CONTRIBUTIONS (CONTINUED)

Mortality (Continued)

For disabled male participants, 60% RP 2000 Disabled Male Mortality Table setback four years/ 40% RP 2000 Annuitant Male Mortality Table with White Collar Adjustment with no setback, without projected mortality improvements. For disabled female participants, 60% RP 2000 Disabled Female Mortality Table set forward two years/ 40% RP 2000 Annuitant Female Mortality Table with White Collar Adjustment with no setback, without projected mortality improvements.

Cost-of-Living increases

None

Other Information:

Benefit Changes

2018: early retirement eligibility changed to completion of twenty (20) years of credited service if ten (10) or more years of credited service as of November 2, 2017; early retirement reduction removed if ten (10) or more years of credited service as of November 7, 2017; supplemental benefit reduced due to insufficiency of State payments effective following January 1st.

2017: accrued benefits frozen November 7, 2017; member contributions increased to 6.5%; average final compensation changed to highest three (3) years of the last five (5) years; normal retirement eligibility changed to earlier of attainment of age fifty-52 (52) (age fifty (50) if ten (10) or more years of credited service, or the completion of twenty-three (23) years of Credited Service; early retirement eligibility changed to attainment of age fifty (50) and completion of ten (10) years of credited service; 3.25% accrual rate (future accruals); 3% of early retirement reduction factor added; DROP interest crediting rate updated to Fund return (minimum 0%) or fixed return of 1.5% as elected by the member; supplemental benefit reduced due to insufficiency of State payments effective following January 1st. 2014-2016 supplemental benefit reduced due to insufficiency of State payments effective following January 1st. 2013: participation by Police Chief made optional; supplemental benefit reduced due to insufficiency of State payments effective following January 1st. 2009-2012; supplemental benefit reduced due to insufficiency of State payments effective following January 1st.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO THE SCHEDULE OF CITY CONTRIBUTIONS (CONTINUED)

Assumption Changes

2018: assumed retirement age updated due to benefit changes.

2017: salary increase factors and assumed retirement age updated. 2016: investment return decreased to 7.75%; mortality assumptions salary increases factors employee withdrawal rates and assumed retirement age updated, 2012: mortality assumptions for healthy lives updated to RP-2000 Combined Mortality Table with Blue Collar Adjustment with separate rates for males and females and fully generational mortality improvements projected by Scale AA to each future decrement date; mortality assumption for disabled lives updated to the RP-2000 Disabled Mortality Table with separate rates for males and females and fully generational mortality improvements projected by Scale AA to each future decrement date.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

September 30, 2020

SCHEDULE OF INVESTMENT RETURNS

Last Seven Fiscal Years

	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual money-weighted rate of return net of investment expenses	<u>8.31%</u>	<u>1.99%</u>	<u>13.53%</u>	<u>12.46%</u>	<u>6.31%</u>	<u>4.06%</u>	<u>14.00%</u>