

**CITY OF PARKLAND, FLORIDA
POLICE OFFICERS RETIREMENT PLAN**

A Pension Trust Fund of the City of Parkland

Financial Report for the Fiscal
Year Ended September 30, 2020

**CITY OF PARKLAND, FLORIDA
POLICE OFFICERS RETIREMENT PLAN**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
City of Parkland Police Officers Retirement Plan
Parkland, Florida

We have audited the accompanying financial statements of the City of Parkland Police Officers Retirement Plan (the "Plan"), as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

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

An audit involves performing procedures to obtain audit evidence about the 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 opinions.

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 the changes in fiduciary net position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

March 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR END SEPTEMBER 30, 2020

We are pleased to provide this overview and analysis of the financial activities of the Police Officers Retirement Plan (the "Plan") during the fiscal year ended September 30, 2020. This section presents management's discussion and analysis of key financial performance indicators in a narrative format.

FINANCIAL HIGHLIGHTS

- As of the fiscal year ended September 30, 2020, assets exceeded liabilities by \$2,346,301 (net position restricted for pensions) as compared to \$2,252,476 as of the fiscal year ended September 30, 2019. Net position restricted for pensions is used to meet future benefit payments.
- For the fiscal year ended September 30, 2020, employer contributions to the Plan contributed by the City increased by \$21,578 based on the actuarial calculation. Actual employer contributions were \$21,578 and \$0 for 2020 and 2019, respectively. In the 2020 fiscal year, the Plan was able to use \$69,006 of the State funds received towards meeting the minimum required contribution.

For the fiscal year ended September 30, 2019, employer contributions to the Plan contributed by the City decreased by \$14,100 based on the actuarial calculation. Actual employer contributions were \$0 and \$14,100 for 2019 and 2018, respectively. In the 2019 fiscal year, the Plan was able to use \$69,006 of the State funds received to meet the minimum required contribution.

- For the fiscal year ended September 30, 2020, net investment income increased by \$9,414. Actual results were \$124,907 and \$115,493 in net appreciation/depreciation in fair value of investments for 2020 and 2019, respectively. Investment expenses were \$5,381 and \$5,368 in 2020 and 2019, respectively.

For the fiscal year ended September 30, 2019, net investment income decreased by \$4,096. Actual results were \$115,493 and \$119,589 in net appreciation/depreciation in fair value of investments for 2019 and 2018, respectively. Investment expenses were \$5,368 and \$5,436 in 2019 and 2018, respectively.

- For the fiscal year ended September 30, 2020, retirement benefits increased by \$3,205 to \$163,433, excluding \$202,751 Chapter 185 excess distributions.

For the fiscal year ended September 30, 2019, retirement benefits increased by \$3,141 to \$160,228, excluding \$254,703 Chapter 185 excess distributions.

- For the fiscal year ended September 30, 2020, administrative expenses increased by \$1,723 to \$25,816.
- For the fiscal year ended September 30, 2019, administrative expenses decreased by \$804 to \$24,093.

PLAN HIGHLIGHTS

For the fiscal year ended September 30, 2020, the relative return of the portfolio was 6.21%. The net position of the Plan increased in 2020 to \$2,346,301. At the end of fiscal year 2019, the net position of the Plan was \$2,252,476.

For the fiscal year ended September 30, 2019, the relative return of the portfolio was 5.84%. The net position of the Plan increased in 2019 to \$2,252,476. At the end of fiscal year 2018, the net position of the Plan was \$2,252,298.

STATEMENT OF FIDUCIARY NET POSITION

The following condensed Statement of Fiduciary Net Position demonstrates the investment positions of the Plan at September 30:

| | SEPTEMBER 30, | |
|---------------------------|---------------|--------------|
| | 2020 | 2019 |
| Cash and cash equivalents | \$ 167,414 | \$ 103,172 |
| Investments | 2,181,477 | 2,150,996 |
| Total assets | 2,348,891 | 2,254,168 |
| Liabilities | 2,590 | 1,692 |
| Net position | \$ 2,346,301 | \$ 2,252,476 |

The Statement of Changes in Fiduciary Net Position displays the effect of pension fund transactions that occurred during the period. The table below reflects a condensed summary of the changes in net positions and reflects the activities of the Plan.

| | SEPTEMBER 30, | |
|--|---------------|--------------|
| | 2020 | 2019 |
| ADDITIONS: | | |
| Contributions | | |
| Employer | \$ 21,578 | \$ - |
| State | 339,340 | 323,709 |
| Total | 360,918 | 323,709 |
| Net investment income (loss) | 124,907 | 115,493 |
| Total additions | 485,825 | 439,202 |
| DEDUCTIONS: | | |
| Benefits paid | 366,184 | 414,931 |
| Administrative expenses | 25,816 | 24,093 |
| Total deductions | 392,000 | 439,024 |
| Net increase | 93,825 | 178 |
| Net position restricted for pensions at beginning of year | 2,252,476 | 2,252,298 |
| Net position restricted for pension at end of year | \$ 2,346,301 | \$ 2,252,476 |

USING THE AUDITED FINANCIAL STATEMENTS

The financial statements reflect the activities of the City of Parkland Police Officers Retirement Plan and are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. These statements are presented on a full accrual basis, reflect all trust activities as incurred and are based on a snapshot in time of account balances of investments at fiscal year-end.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, fund participants and other interested parties 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 financial information, please contact the City of Parkland Police Officers Retirement Plan, 6600 University Drive, Parkland, Florida 33067.

**CITY OF PARKLAND POLICE OFFICERS RETIREMENT PLAN
STATEMENT OF FIDUCIARY NET POSITION
AS OF SEPTEMBER 30, 2020**

| | Pension Plan | Share Plan | Total |
|---|---------------------|------------------|---------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 98,018 | \$ 69,396 | \$ 167,414 |
| Investments, at fair value | 2,181,477 | - | 2,181,477 |
| TOTAL ASSETS | \$ 2,279,495 | \$ 69,396 | 2,348,891 |
| LIABILITIES: | | | |
| Accounts payable and accrued expenses | 2,555 | 35 | 2,590 |
| TOTAL LIABILITIES | 2,555 | 35 | 2,590 |
| NET POSITION RESTRICTED FOR PENSIONS | \$ 2,276,940 | \$ 69,361 | \$ 2,346,301 |

See notes to the financial statements

**CITY OF PARKLAND POLICE OFFICERS RETIREMENT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

| | Pension Plan | Share Plan | Total |
|---|-----------------|----------------|----------------|
| ADDITIONS: | | | |
| Contributions: | | | |
| Employer | \$ 21,578 | \$ - | \$ 21,578 |
| State | 69,006 | 270,334 | 339,340 |
| Total contributions | 90,584 | 270,334 | 360,918 |
| From investments activities: | | | |
| Net appreciation in fair value of investments | 130,288 | - | 130,288 |
| Less: investment expenses | 5,344 | 37 | 5,381 |
| Net investment income | 124,944 | (37) | 124,907 |
| TOTAL ADDITIONS | 215,528 | 270,297 | 485,825 |
| DEDUCTIONS: | | | |
| Pension benefits remitted | 163,433 | - | 163,433 |
| Other distributions | - | 202,751 | 202,751 |
| Administrative expenses | 25,816 | - | 25,816 |
| TOTAL DEDUCTIONS | 189,249 | 202,751 | 392,000 |
| NET INCREASE (DECREASE) | 26,279 | 67,546 | 93,825 |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| Beginning of fiscal year | 2,250,661 | 1,815 | 2,252,476 |
| End of fiscal year | \$ 2,276,940 | \$ 69,361 | \$ 2,346,301 |

See notes to the financial statements

**CITY OF PARKLAND POLICE OFFICERS RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – THE REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Parkland Police Officers Retirement Plan (the “Plan”) administrates one defined benefit pension plan and one share plan. Although the assets of the plans are combined for comparative information purposes presented in the Management’s Discussion and Analysis (“MD&A”), each plan’s assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

The financial statements presented are only for the City of Parkland Police Officers Retirement Plan (the “Plan”) of the City of Parkland, Florida (the “City”) and are not intended to present the basic financial statements of the City. The Plan is included in the City’s Comprehensive Annual Financial Report (“CAFR”), which is a separately issued document.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting. Revenues are recorded at the time they are earned. Benefits paid directly to participants and refunds of contributions are recorded when paid. Administrative expenses are recorded when incurred.

Pension Plan Reporting

The plan’s fiduciary net position has been determined on the same basis used by the pension plan and is equal to the market value of assets calculated under the accrual basis of accounting.

Method Used to Value Cash and Investments

The Plan considers all short-term investments with an original term of less than three months to be cash equivalents. Investments are reported at fair value. Securities’ market values are provided by the Trust’s Custodian of each portfolio, utilizing an independent pricing service. Pricing services typically consider such factors as security prices, yields, maturities, call features, prepayment rates, ratings and other information as it relates in determining a specific security’s market price. Additional information regarding the fair value measurement of investments is disclosed in Note 3.

Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date basis. Interest and dividends are recognized as earned. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

Use of Estimates

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

Basis of Presentation

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 67 - *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, Statement No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, and Statement No. 82 - *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*.

NOTE 2 – PLAN DESCRIPTION

The Pension Plan is a single-employer defined benefit pension plan established by the City pursuant to City Ordinance Number 2004-09 (as amended) which became effective February 29, 2004.

Participants

All full-time police officer's employed by the City or as a Broward County Deputy Sheriff who elected membership at date of adoption of the Plan are eligible to participate in the Plan. The Plan is administered solely by a five-member Board of Trustees, two of whom shall be legal residents of the City and who shall be appointed by the City Commission. Two members of the board shall be retired police officers elected by a majority of the membership. The fifth member of the board shall be chosen by a majority of the other four trustees, and such person's name shall be submitted to the City Commission for appointment. The Board of Trustees' duties include, amongst other responsibilities, making recommendations regarding changes in the provisions of the Plan; however, any changes to the Plan must be approved by the City Commission.

Membership

The Plan's membership consists of:

| | |
|---|----------|
| Retirees and beneficiaries currently receiving benefits | 4 |
| Active plan members | - |
| Inactive employees entitled to but not receiving benefits | - |
| Total | <u>4</u> |

Member Contributions

The required member contributions are 5% of compensation on a pick-up basis. Compensation is total remuneration for services rendered excluding payments for extra duty or special detail work performed on behalf of a second party and with overtime limited to 300 hours per year.

The State of Florida requires funding of pension contributions to be made based upon an actuarial valuation. The most recent actuarial valuation is dated October 1, 2019. Actual contributions in fiscal year 2020 were as follows: State of Florida \$339,340 and City \$21,578.

Retirement

Police officer's may retire with a normal retirement on the first day of the month coinciding with or next following the date on which the member has attained the age of 55 having completed 10 years of credited service, any age with at least 20 years of credited service, effective May 16, 2007, or the date on which the member has attained the age of 52 having completed 25 years of credited service. Pursuant to the City Ordinance Number 2011-01, effective June 15, 2011, the sole remaining member of the Plan was permitted to retire without any penalty for early retirement based on existing credited service as of June 15, 2011.

Benefits

Effective January 1, 2007, and on each January 1 thereafter, any member who has been receiving a retirement benefit for at least one year prior thereto shall receive a cost of living adjustment (COLA) equal to 2% of the member's retirement benefit. The COLA is reduced or eliminated to the extent the annual Chapter 185 contributions fall below \$69,006.

The monthly retirement benefit shall be an amount equal to 3% (2% prior to May 16, 2007) of final monthly compensation multiplied by the number of years of credited service. The Plan also provides early and delayed retirement as well as death and disability benefits with benefits dependent on salary, length of service or years of contributions, and age upon retirement, death or disability.

NOTE 2 – PLAN DESCRIPTION (Continued)

Share Plan

On June 15, 2011, the City Commission of the City created a trust fund to be known as the City of Parkland Police Officer's Share Plan (the "Share Plan") pursuant to Florida Statutes ("F.S.") §185.35(1)(b). The purpose of this share plan is to place additional premium tax revenues pursuant to F.S. §185.08 and §185.35 and earnings generated there from into a separate trust fund to pay extra benefits to police officers of the City who are participants in the Plan. Additional premium tax revenues means revenues received after October 1, 2006 by the City pursuant to F.S §185.10 that exceed \$69,006 per annum. The Share Plan has been approved by a majority of participants and is in addition to any other benefits under the Plan. The Share Plan shall not affect any other benefits that now or hereafter exist. The City is not required to levy any additional taxes on its residents or to make any contributions to the Share Plan.

Since the Plan has heretofore received additional premium tax revenues that were paid to and collected by the State in calendar year 2007, additional premium tax revenues received prior to the implementation of the Share Plan are allocated equally to each participant. After that, additional premium tax revenues are allocated equally to each participant under the provisions of F.S. §185.10. All costs, expenses and fees of administering the Share Plan shall be paid from the assets of the Share Plan as the Board shall determine. Any allocation to a participant is net of the participant's share of the plan's cost, expenses and fees of administering the Share Plan.

Every individual who is a participant as of the effective date shall remain a participant until death. A participant shall receive a distribution of benefits from this Share Plan upon the participant's commencement of retirement or disability benefits under the retirement plan and as of each valuation date thereafter. The required distributions begin after the later of April 1st following: (i) the calendar year in which the participant attains age 70½, or (ii) the calendar year in which the participant terminates employment with the City.

NOTE 3 – INVESTMENTS

The Plan is authorized to invest in repurchase agreements; direct obligations of the United States Treasury including bills, notes, bonds and various forms of Treasury zero-coupon securities; authorized investments purchased by or through the State Board of Administration or the Office of the State Treasurer; commercial paper issued in the United States by any corporation; banker's acceptances issued within the U.S.; nonnegotiable Certificates of Deposit issued by Florida Qualified Public Depositories as identified by the State Treasurer's office and/or negotiable certificates of deposit issued in U.S. dollars by institutions; obligations of the agencies or instrumentalities of the federal government; money market mutual master trust funds; mortgage obligations guaranteed by the United States government and sponsored agencies or instrumentalities; corporate fixed income securities issued by any corporation in the United States; asset-backed securities issued in the United States; securities of state, municipal and county governments or their public agencies; commingled governmental investment trusts, no-load investment master trust funds, or no-load mutual master trust funds in which all securities held by the trusts or master trust funds are authorized investments; guaranteed investment contracts with insurance companies; investment agreements with other financial institutions; equity assets, including common stock, preferred stock and interest bearing obligations having an option to convert into common stock; Florida Municipal Investment Trust (FMIVT) Portfolios); and any other investment permitted by law.

The Plan's investments were held as follows at September 30, 2020:

| | Fair Value | Credit Risk | Maturities |
|--|---------------------|-------------|------------|
| Local Government Investment Pool: | | | |
| Florida Municipal Pension Trust Fund (FMPTF) | \$ 2,181,477 | See below | See below |
| Total Investments | <u>\$ 2,181,477</u> | | |

NOTE 3 – INVESTMENTS (Continued)

The Florida Municipal Investment Trust (Municipal Trust) was created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the directions and daily supervision of an investment advisor. The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust.

All assets of the Plan are invested with the Florida Municipal Pension Trust Fund (FMPTF). The FMPTF was established in 1993 under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds. All Plan assets with the FMPTF are included in the trust's Master Trust Fund and are administered by the Florida League of Cities, Inc. The Master Trust Agreement provides that the Master Trustees have the exclusive authority and discretion to manage and control the assets of the Master Trust Fund according to the provisions of the FMPTF Investment Policy, amended as of November 29, 2018. The fund is stated at fair value and investments earnings are allocated to the participants in the fund based on their equity in this pooled investment account as provided by the FMPTF.

FMPTF's target asset allocation for the Plan is as follows:

| | <u>Investment Category</u> | <u>Target Allocation</u> | <u>Actual Allocation</u> |
|----------------------------------|--------------------------------------|--------------------------|--------------------------|
| Equities | | | |
| Large Cap | Diversified Large Cap Equity | 29% | 29.8% |
| Small Cap | Diversified Small to Mid Cap Equity | 8% | 7.7% |
| International | International Equity | 13% | 14.0% |
| Fixed Income (Incl. Cash) | | | |
| Core Bonds | Broad Market High Quality | 20% | 19.1% |
| Core Plus | Core Plus Fixed Income Fund | 20% | 19.2% |
| Real Assets | | | |
| Core Real Estate | Core Real Estate Portfolio | 10% | 10.1% |
| | Total or weighted arithmetic average | <u>100%</u> | <u>100%</u> |

The annual money-weighted rate of return for the 2020 fiscal year was approximately (6.21%). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

The Plan is invested in the 50/50 Allocation portfolio with the following balances:

| | <u>Fair</u> | <u>Credit</u> | <u>Modified</u> | <u>Weighted Average</u> |
|---|---------------------|---------------|-----------------|-------------------------|
| | <u>Value</u> | <u>Risk</u> | <u>Duration</u> | <u>Maturities</u> |
| Broad Market High Quality Bond Fund | \$ 417,148 | AAf/S4 Fitch | 5.52 years | 6.60 years |
| Core Plus Fixed Income Fund | 419,427 | Not rated | 3.35 years | 5.82 years |
| Diversified Large Cap Equity Portfolio | 649,656 | Not rated | Not available | Not available |
| Diversified Small to Mid Cap Equity Portfolio | 168,683 | Not rated | Not available | Not available |
| International Equity Portfolio | 305,452 | Not rated | Not available | Not available |
| Core Real Estate | 221,111 | Not rated | Not available | Not available |
| | <u>\$ 2,181,477</u> | | | |

NOTE 3 – INVESTMENTS (Continued)

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy of the Plan contains limits on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages.

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. The investment policy of the Plan limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value Measurement – When applicable, the Plan measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. GASB defines fair value as 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 framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Plan has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes the Plan's investments within the fair value hierarchy at September 30, 2020:

| | Fair Value | Level 2 | Level 3 |
|---|---------------------|---------------------|-------------------|
| Broad Market High Quality Bond Fund | \$ 417,148 | \$ 417,148 | \$ - |
| Core Plus Fixed Income Fund | 419,427 | - | 419,427 |
| Diversified Large Cap Equity Portfolio | 649,656 | 649,656 | - |
| Diversified Small to Mid Cap Equity Portfolio | 168,683 | 168,683 | - |
| International Equity Portfolio | 305,452 | 305,452 | - |
| Core Real Estate | 221,111 | - | 221,111 |
| | <u>\$ 2,181,477</u> | <u>\$ 1,540,939</u> | <u>\$ 640,538</u> |

Broad Market High Quality Bond Fund – This fund invests mainly in US government and agency securities, asset-backed securities and corporate bonds and notes. The underlying securities have observable level 1 quoted pricing inputs or observable level 2 significant other observable pricing inputs. Most of the security prices are obtained from a pricing service, Interactive Data Corporation. While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted.

Core Plus Fixed Income Fund – This fund invests in two underlying funds, the Franklin Templeton Global Multi-Sector Plus Fund, LP and the Pioneer Institutional Multi-Sector Fixed Income Portfolio, LLC. Shares of these funds are not publicly quoted. These underlying funds invest in a variety of financial instruments, including equity investments, asset-backed securities, debt securities, swaps, forward exchange contracts, credit-linked notes, escrow accounts, litigation trusts for both U.S. and foreign companies and governments.

NOTE 3 – INVESTMENTS (Continued)

Diversified Large Cap Equity Portfolio – This portfolio invests mainly in domestic stocks and in a single underlying fund, the Intech U.S. Broad Enhanced Plus Fund, LLC (Intech Fund), shares of which are not publicly quoted. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). The value of the portfolio's shares of the Intech Fund investment is determined based on the net asset value provided by the Intech Fund, which was calculated in accordance with generally accepted accounting principles. While most of the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted.

Diversified Small to Mid-Cap Equity Portfolio – This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted.

International Equity Portfolio – This portfolio invests in two underlying funds, the Investec International Dynamic Equity Fund, LLC (Investec Fund) and the Wells Capital Management 525 Market Street Fund, LLC (Wells Fund), shares of which are not publicly quoted. Both Funds invest in stocks sold on U.S. and international exchanges, all of which have observable level 1 quoted pricing inputs. The value of the shares of the Investec Fund and the Wells Fund investment is determined based on the net asset value provided by the Funds, which was calculated in accordance with generally accepted accounting principles.

Core Real Estate Fund – This portfolio invests in a single underlying fund, the Morgan Stanley Prime Property Fund (Morgan Stanley Fund), shares of which are not publicly quoted. The Morgan Stanley Fund invests in core real estate in the U.S. The value of the Morgan Stanley Fund investments was determined based on quarterly real estate appraisals, which were calculated in accordance with generally accepted accounting principles.

NOTE 4 – NET PENSION LIABILITY

Net pension liability as of September 30, 2020 is calculated as follows:

| | |
|-----------------------------------|--------------------|
| Total pension liability (TPL) | \$ 2,505,379 |
| Less fiduciary net position (FNP) | <u>(2,276,940)</u> |
| Net pension liability (NPL) | <u>\$ 228,439</u> |

| | |
|--|--------|
| Plan's fiduciary net position as a percentage of total pension liability | 90.88% |
|--|--------|

The significant assumption and other inputs used to measure the total pension liability are as follows:

| | |
|---------------------------|---|
| Employer's reporting date | September 30, 2020 |
| Measurement date | September 30, 2020 |
| Actuarial valuation date | October 1, 2019 and rolled forward to the September 30, 2020 measurement date. |
| Actuarial assumptions: | |
| Discount rate: | 6.50% per year (2.62% per year is attributable to long-term inflation); this rate was used to discount all future benefit payments. |
| Cost-of-living increases: | 2% per year |
| Mortality basis: | Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB |
| Non-investment expenses: | \$25,000 per year |
| Future contributions: | Contributions from the employer are assumed to be made as legally required. |
| Changes: | No assumptions were changed since the prior measurement date. |

NOTE 4 – NET PENSION LIABILITY (Continued)

Determination of the long-term expected rate of return on Plan assets is as follows:

| Investment Category | Target Allocation | Expected Long-Term |
|--------------------------------------|-------------------|--------------------|
| | | Real Return |
| Core bonds | 20% | 1.6% per year |
| Core plus | 20% | 2.1% per year |
| US large cap equity | 29% | 4.6% per year |
| US small cap equity | 8.0% | 5.5% per year |
| Non-US equity | 13.0% | 6.7% per year |
| Core real estate | 10.0% | 5.0% per year |
| Total or weighted arithmetic average | 100% | 3.88% per year |

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability calculated using a single discount rate of 6.50%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher.

| Discount Rate Minus 1% | 6.5% Discount Rate | Discount Rate Plus 1% |
|------------------------------|--------------------------|-----------------------------|
| \$ 516,752 | \$ 228,439 | \$ (12,708) |

NOTE 5 – TAX STATUS

The Plan obtained a determination letter on January 3, 2013, in which the Internal Revenue Service stated that the Plan was in compliance with the applicable requirements of the Internal Revenue Code, conditioned upon the adoption of certain proposed modifications. On December 4, 2013, resolution 2013-25 was adopted and on May 20, 2015 ordinance 2015-07 was adopted thereby incorporating the changes required by the Internal Revenue Service. Accordingly, the Plan's administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the Plan's administrator believes the Plan was qualified and the related trust was tax exempt as of September 30, 2020.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2021, the date at which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY SCHEDULES

CITY OF PARKLAND POLICE OFFICERS RETIREMENT PLAN

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

| | SEPTEMBER 30, | | | | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total Pension Liability | | | | | | | |
| Beginning balance | \$ 2,503,688 | \$ 2,489,934 | \$ 2,484,592 | \$ 2,328,278 | \$ 2,338,078 | \$ 2,029,433 | \$ 2,020,913 |
| Service cost | - | - | - | - | - | 127,166 | 151,195 |
| Expected interest growth | 157,527 | 156,734 | 156,486 | 146,423 | 147,158 | - | - |
| Demographic experience | 7,597 | 17,248 | 5,943 | 7,035 | (5,971) | 48,525 | - |
| Benefit payments and refunds | (163,433) | (160,228) | (157,087) | (154,006) | (150,987) | (148,026) | (142,675) |
| Assumption changes | - | - | - | 156,862 | - | 280,980 | - |
| Ending balance | <u>\$ 2,505,379</u> | <u>\$ 2,503,688</u> | <u>\$ 2,489,934</u> | <u>\$ 2,484,592</u> | <u>\$ 2,328,278</u> | <u>\$ 2,338,078</u> | <u>\$ 2,029,433</u> |
| Plan Fiduciary Net Position | | | | | | | |
| Beginning balance | \$ (2,250,661) | \$ (2,250,481) | \$ (2,229,766) | \$ (2,054,583) | \$ (1,961,246) | \$ (2,062,405) | \$ (1,952,986) |
| Expected interest growth | (143,137) | (142,593) | (141,772) | (132,015) | (135,956) | (130,811) | (149,884) |
| Unexpected investment income | 18,193 | 27,098 | 22,179 | (91,094) | 1,001 | 130,518 | 1,739 |
| Employer contributions | (90,584) | (69,006) | (83,106) | (131,560) | (145,000) | (78,193) | (146,185) |
| Benefit payments and refunds | 163,433 | 160,228 | 157,087 | 154,006 | 150,987 | 148,026 | 145,124 |
| Administrative expenses | 25,816 | 24,093 | 24,897 | 25,480 | 35,631 | 31,619 | 39,787 |
| Ending balance | <u>\$ (2,276,940)</u> | <u>\$ (2,250,661)</u> | <u>\$ (2,250,481)</u> | <u>\$ (2,229,766)</u> | <u>\$ (2,054,583)</u> | <u>\$ (1,961,246)</u> | <u>\$ (2,062,405)</u> |
| Net Pension Liability | | | | | | | |
| Beginning balance | \$ 253,027 | \$ 239,453 | \$ 254,826 | \$ 273,695 | \$ 376,832 | \$ (32,972) | \$ 67,927 |
| Expected interest growth | 14,390 | 14,141 | 14,714 | 14,408 | 11,202 | (3,645) | 1,311 |
| Unexpected investment income | 18,193 | 27,098 | 22,179 | (91,094) | 1,001 | 130,518 | 1,739 |
| Demographic experience | 7,597 | 17,248 | 5,943 | 7,035 | (5,971) | 48,525 | - |
| Employer contributions | (90,584) | (69,006) | (83,106) | (131,560) | (145,000) | (78,193) | (146,185) |
| Benefit payments and refunds | - | - | - | - | - | - | 2,449 |
| Administrative expenses | 25,816 | 24,093 | 24,897 | 25,480 | 35,631 | 31,619 | 39,787 |
| Assumption changes | - | - | - | 156,862 | - | 280,980 | - |
| Ending balance | <u>\$ 228,439</u> | <u>\$ 253,027</u> | <u>\$ 239,453</u> | <u>\$ 254,826</u> | <u>\$ 273,695</u> | <u>\$ 376,832</u> | <u>\$ (32,972)</u> |

| Measurement Date | Total Pension Liability (TPL) | Fiduciary Net Position (FNP) | Net Pension Liability (NPL) | Funded % (FNP as % TPL) | Covered Employee Payroll | NPL as a % of Covered Payroll |
|--------------------|-------------------------------|------------------------------|-----------------------------|-------------------------|--------------------------|-------------------------------|
| October 1, 2011 | \$ 2,159,194 | \$ 1,416,392 | \$ 742,802 | 65.60% | \$ - | Not available |
| October 1, 2012 | 2,155,927 | 1,756,197 | 399,730 | 81.46% | - | Not available |
| September 30, 2013 | 2,020,913 | 1,952,986 | 67,927 | 96.64% | - | Not available |
| September 30, 2014 | 2,029,433 | 2,062,405 | (32,972) | 101.62% | - | Not available |
| September 30, 2015 | 2,338,078 | 1,961,246 | 376,832 | 83.88% | - | Not available |
| September 30, 2016 | 2,328,278 | 2,054,583 | 273,695 | 88.24% | - | Not available |
| September 30, 2017 | 2,484,592 | 2,229,766 | 254,826 | 89.74% | - | Not available |
| September 30, 2018 | 2,489,934 | 2,250,481 | 239,453 | 90.38% | - | Not available |
| September 30, 2019 | 2,503,688 | 2,250,661 | 253,027 | 89.89% | - | Not available |
| September 30, 2020 | 2,505,379 | 2,276,940 | 228,439 | 90.88% | - | Not available |

CITY OF PARKLAND POLICE OFFICERS RETIREMENT PLAN

SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS

| Fiscal Year End | (1) Actuarially Determined Contribution (ADC) | (2) Contributions Recognized by the Plan* | (3) Difference Between (1) and (2) | Covered Employee Payroll | Column (2) as a Percentage of Covered Payroll |
|--------------------|---|---|------------------------------------|--------------------------|---|
| September 30, 2011 | \$ 163,382 | \$ 163,382 | \$ - | \$ 85,816 | 190.39% |
| September 30, 2012 | 290,659 | 290,659 | - | - | Not available |
| September 30, 2013 | 213,598 | 213,598 | - | - | Not available |
| September 30, 2014 | 146,185 | 146,185 | - | - | Not available |
| September 30, 2015 | 78,193 | 78,193 | - | - | Not available |
| September 30, 2016 | 145,000 | 145,000 | - | - | Not available |
| September 30, 2017 | 131,560 | 131,560 | - | - | Not available |
| September 30, 2018 | 83,106 | 83,106 | - | - | Not available |
| September 30, 2019 | 63,872 | 69,006 | 5,134 | - | Not available |
| September 30, 2020 | 95,718 | 90,584 | (5,134) | - | Not available |

The methods and assumptions used to determine contributions rates are as follows:

| | |
|---------------------------------------|--|
| Valuation date | October 1, 2019 |
| Measurement date | September 30, 2020 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 5 years |
| Asset valuation method | Market Value |
| Actuarial assumptions: | |
| Net investment rate of return * | 6.5% |
| Projected salary increases | 0% |
| * Includes inflation percentage of 3% | |
| Cost-of-living adjustments | 2% |
| Mortality | Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB. |

Effective 10/1/18, the assumed administrative expenses were decreased from \$30,000 per year to \$25,000 per year. Effective 10/1/17, the interest (discount) rate was decreased from 7% per year to 6.5% per year and the assumed administrative expenses were decreased from \$35,000 per year to \$30,000 per year. Effective 10/1/16, the mortality basis was changed from a 2015 projection of the RP-2000 Mortality Table for annuitants to a full generational projection using Scale BB of the RP-2000 Combined Mortality Table as required by State law and the assumed administrative expenses were increased from \$25,000 per year to \$35,000 per year.

CITY OF PARKLAND POLICE OFFICERS RETIREMENT PLAN

ANNUAL MONEY-WEIGHTED RATE OF RETURN ON PLAN INVESTMENTS

| <u>Fiscal Year End</u> | <u>Money Weighted Rate of Return</u> |
|------------------------|--|
| September 30, 2014 | 7.64% |
| September 30, 2015 | -0.02% |
| September 30, 2016 | 7.26% |
| September 30, 2017 | 11.58% |
| September 30, 2018 | 5.75% |
| September 30, 2019 | 5.84% |
| September 30, 2020 | 6.21% |



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of the
City of Parkland Police Officers Retirement Plan
Parkland, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Parkland Police Officers Retirement Plan (the "Plan") as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our opinion thereon dated March 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 8, 2021