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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of New Port Richey Police Officers' Retirement System (the "Plan"), which comprise the statements of fiduciary net position as of September 30, 2021 and 2020, 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.

Board of Trustees of
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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan, as of September 30, 2021 and 2020, and the changes in financial 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 basic 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 (the "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 32 through 37 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.



Tampa, Florida
February 22, 2022

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

The City of New Port Richey Police Officers' Retirement System's (the "Plan") 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, 2021 and 2020. 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 the 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 Plan's financial performance provides an overview of the financial activities and funding conditions for the fiscal years ended September 30, 2021 and 2020. Please review it in conjunction with the basic financial statements which begin on page 10.

FINANCIAL HIGHLIGHTS

The Plan's net position increased by \$5.1 million, or 16% 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, decreased by \$43 thousand or 5%.

Please note that there were no Plan member buy-backs during the years ended September 30, 2021 and 2020.

Net investment income was \$3.8 million or 152% greater than the previous year.

Benefit payments increased by \$22 thousand over the prior year. There were four participant refunds issued during the year ended September 30, 2021.

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

PLAN HIGHLIGHTS

The improvement in the equity markets in fiscal year 2020-2021 resulted in higher investment results for the 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 7.92 % was more than its benchmark target of 7.25%.

Since actual State monies received during fiscal year ended September 30, 2021 (\$217,595) were less than \$285,189, we understand the supplemental benefit to be paid in calendar year 2022 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**

	2021	2020	2019
Cash and investments	\$ 36,251,218	\$ 31,326,134	\$ 29,500,257
Receivables	24,336	48,544	281,534
Prepaid expenses	135,907	129,765	123,363
Total Plan Assets	36,411,461	31,504,443	29,905,154
Liabilities	36,417	254,323	42,851
Plan Net Position	<u>\$ 36,375,044</u>	<u>\$ 31,250,120</u>	<u>\$ 29,862,303</u>

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

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**

	2021	2020	2019
Additions:			
Contributions	\$ 566,489	\$ 597,641	\$ 541,005
State excise tax rebate	217,595	229,821	220,931
Investment income, net	6,269,073	2,484,432	700,585
Total plan additions	<u>7,053,157</u>	<u>3,311,894</u>	<u>1,462,521</u>
Deductions:			
Pension benefits	1,862,505	1,845,797	1,481,477
Other	65,728	78,280	73,964
Total plan deductions	<u>1,928,233</u>	<u>1,924,077</u>	<u>1,555,441</u>
Net Change in Plan Net Position	<u>\$ 5,124,924</u>	<u>\$ 1,387,817</u>	<u>\$ (92,920)</u>

The net increase of \$5.1 million and \$1.4 million reflect a net change in trust activities of 16% and 1%, respectively.

Domestic stocks experienced a dramatic reversal following the onset of the pandemic last year. All broad U.S. equity market indexes recovered and were trading at near-record levels. Most notably, domestic small cap stocks led the market compared to U.S. large cap stocks. Global markets also recovered, and emerging countries, which are more sensitive to changes in economic activity, may continue to recover at a faster rate.

Bond market returns were relatively muted compared to equities, as investors remain concerned about the potential for rising inflation. Higher quality, lower coupon bonds generally struggled to perform. as U.S. interest rates generally moved higher.

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2020-2021 Change</u>	<u>2019-2020 Change</u>
Vested	26	9	5	17	4
Non-vested	15	32	35	(17)	(3)
DROP retirees	2	4	4	(2)	-
Retirees and beneficiaries	43	44	44	(1)	-
Terminated entitled to benefits	7	6	5	1	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.

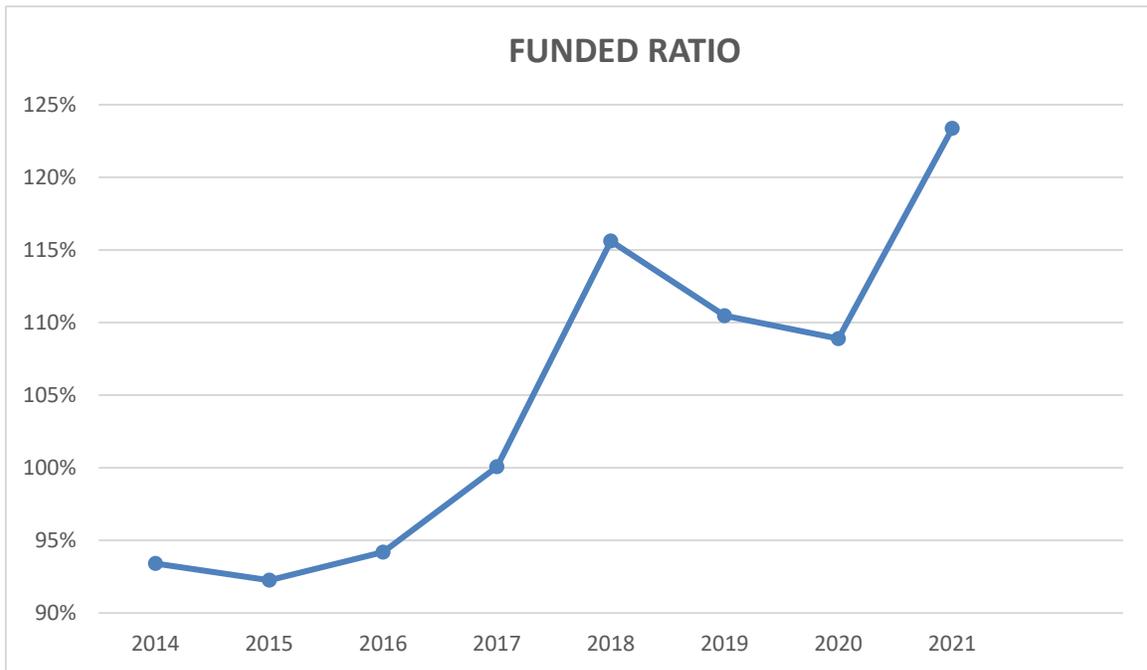
An indicator of funding status is the ratio of the Plan Fiduciary Net Position to the total pension liability. An increase in this percentage over time usually indicates a plan is becoming financially stronger. However, a decrease will not necessarily indicate a plan is in financial decline. Changes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

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

TABLE 4

SCHEDULE OF FUNDING PROGRESS

The actuary uses a five-year forward fair value smoothing method to establish the Actuarial Value of Assets (used to determine the funded ratio). As of September 30, 2021 the Actuarial Value of Assets exceeded the actual Fair Value of net assets as a result of the smoothing methodology.



**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

ASSET ALLOCATION

The following table indicates the policy target asset allocation for September 30, 2021, 2020 and 2019.

**TABLE 5
ASSET ALLOCATION POLICY**

	2021		2020		2019	
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%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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.

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

The total fund investment performance for fiscal year 2021 yielded a market value positive return of 20.49%, 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.

BASIC FINANCIAL STATEMENTS

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2021 AND 2020

	2021	2020
Assets:		
Cash	\$ 84,310	\$ 133,096
Receivables:		
Interest	23,308	24,891
Dividends	1,028	11,802
Broker-Dealers	-	11,851
Total receivables	24,336	48,544
Prepaid insurance	135,907	129,765
Investments:		
U.S. Government obligations	3,838,236	323,625
U.S. Government agency obligations	3,202,418	3,461,172
Domestic corporate bonds	1,665,060	3,902,057
Domestic stocks	22,504,152	18,963,234
Real estate investment fund	4,123,542	3,640,450
Temporary investment funds	833,500	902,500
Total investments	36,166,908	31,193,038
Total Assets	36,411,461	31,504,443
Liabilities:		
Accounts payable	36,417	43,416
Accounts payable, broker-dealers	-	210,907
Total Liabilities	36,417	254,323
Net Position Restricted for Pensions	\$ 36,375,044	\$ 31,250,120

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

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Additions:		
Contributions:		
Employer	\$ 377,681	\$ 424,341
Plan members	188,808	173,300
Total contributions	<u>566,489</u>	<u>597,641</u>
Intergovernmental revenue:		
State excise tax rebate	<u>217,595</u>	<u>229,821</u>
Investment income:		
Net appreciation in fair value of investments	5,804,783	2,162,835
Interest	160,921	245,729
Dividends	430,038	230,084
Commission recapture	209	1,904
Class action settlements	-	150
Other	-	1,621
Total investment income	<u>6,395,951</u>	<u>2,642,323</u>
Less investment expenses	<u>126,878</u>	<u>157,891</u>
Net investment income	<u>6,269,073</u>	<u>2,484,432</u>
Total additions	<u>7,053,157</u>	<u>3,311,894</u>
Deductions:		
Benefits:		
Age and service	1,488,587	1,384,475
Disability	74,612	74,612
DROP payments	264,796	228,966
13th check	-	117,914
Refunds of contributions	34,510	39,830
Administrative expenses	65,728	78,280
Total deductions	<u>1,928,233</u>	<u>1,924,077</u>
Net Increase in Net Position	5,124,924	1,387,817
Net Position Available for Benefits:		
Beginning of year	<u>31,250,120</u>	<u>29,862,303</u>
End of year	<u>\$ 36,375,044</u>	<u>\$ 31,250,120</u>

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

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 - DESCRIPTION OF PLAN

The following brief description of the City of New Port Richey Police Officers' Retirement System (the "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 participating full-time sworn police officers of the City of New Port Richey (the "City").

At September 30, 2021, the Plan's membership consisted of:

Retirees and beneficiaries:

Currently receiving benefits	43
DROP Retirees	2
Terminated employees entitled to benefits but not yet receiving them	7

Total	52
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Current employees:

Vested	26
Nonvested	15

Total	41
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At October 1, 2020, the date of the most recent actuarial valuation, there were 43 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, 2021 AND 2020

NOTE 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 fulltime 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 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.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 - DESCRIPTION OF PLAN (Continued)

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 were 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

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

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 or 2020.

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 amount that the Plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. 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 investment services are provided to the Plan under contract with a national trust company having trust powers in the State of Florida. The Plan's investment policies are governed by Florida State Statutes and ordinances of the City of New Port Richey, Florida.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 60% in stocks and convertible securities measured at cost or 70% of the Plan assets at market (fair) value.

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 three 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 Annual Comprehensive Financial Report (ACFR) for the years ended September 30, 2021 and 2020, which are separately issued documents. Anyone wishing further information about the City is referred to the City's ACFR.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued):

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.

Temporary Investment Funds:

The Plan considers money market and demand accounts, bank and broker-dealer deposits as cash. Temporary investments, shown on the balance sheet are composed of investments in short-term custodial proprietary money market funds.

Use of Estimates:

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

Subsequent Events:

Management has adopted the provisions set forth in GASB statement No. 56, *Subsequent Events*, and considered subsequent events through February 22, 2022, which is the date that the financial statements were available to be issued.

NOTE 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, 2021 and 2020 were \$904,264 and \$763,429, 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 as a percentage of covered payroll for the year ended September 30, 2021 was 13%.

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

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 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.

NOTE 5 - NET APPRECIATION IN FAIR VALUE OF INVESTMENTS

The Plan's investments appreciated in value during the years ended September 30, 2021 and 2020 as follows:

	2021	2020
Realized appreciation (depreciation)	\$ 3,663,001	\$ 838,262
Unrealized appreciation (depreciation)	2,141,782	1,324,573
	\$ 5,804,783	\$ 2,162,835

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 2021 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

NOTE 6 - 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.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 6 - DEPOSITS AND INVESTMENTS

Investments (Continued):

The Plan's independently managed investments are segregated into separate accounts and managed under separate investment agreements. These accounts give Fiduciary Trust Company of the South, Inc. the custodianship, but gives the individual investment managers 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 real estate investment trust (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 Plan's assets managed.

The investment managers 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 custodian's or the Bank's accounts in the Plan's name as described above.

The REIT 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 is 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, 2021 and 2020, 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, 2021 AND 2020**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued):

The Plan held the following fixed income investments as of September 30, 2021 and 2020:

Investment Type	Fair Value		Overall Credit Rating (Standards & Poor's)	Average Effective Duration (Years)
	2021	2020		
U.S. Government obligations	\$ 3,838,236	\$ 323,625	AA+	5.7
U.S. Government agency obligations	3,202,418	3,461,172	AA+	5.6
Domestic corporate bonds	1,665,060	3,902,057	BBB+	5.8
Temporary investment funds	833,500	902,500	N/A	N/A
Total	<u>\$ 9,539,214</u>	<u>\$ 8,589,354</u>		

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater 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.

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.

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 6 - 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, 2021 and 2020, are summarized as follows:

Investments	2021		2020	
	Cost	Fair Value	Cost	Fair Value
U.S. Government obligations	\$ 3,873,023	\$ 3,838,236	\$ 322,577	\$ 323,625
U.S. Government agency obligations	3,201,228	3,202,418	3,461,603	3,461,172
Domestic corporate bonds	1,670,758	1,665,060	3,744,503	3,902,057
Domestic stocks	13,412,683	22,504,152	11,626,033	18,963,234
Real estate investment fund	2,557,576	4,123,542	2,462,433	3,640,450
Temporary investment funds	833,500	833,500	902,500	902,500
Total	<u>\$ 25,548,768</u>	<u>\$ 36,166,908</u>	<u>\$ 22,519,649</u>	<u>\$ 31,193,038</u>

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investment Asset Allocation:

The Plan's adopted asset allocation policy as of September 30, 2021 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, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 20.49% and 8.31%, 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, 2021 AND 2020

NOTE 7 - INVESTMENT MEASUREMENT AT FAIR VALUE

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.

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 NAVs 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 NAVs a matter of convenience.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 7 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following total recurring fair value measurements as of September 30, 2021 and 2020:

- *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.
- *Debt securities* - Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair hierarchy are valued using a matrix pricing technique. Matrix pricing is used by International Data Corporation and Bloomberg, L.P. to value securities based on the securities' relationship to benchmark quoted prices.

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 7 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)

Investments by type	2021	Level 1	Level 2	Level 3
Debt Securities:				
U.S. Government obligations	\$ 3,838,236	\$ -	\$ 3,838,236	\$ -
U.S. Government agency obligations	3,202,418	-	3,202,418	-
Domestic Corporate bonds	1,665,060	-	1,665,060	-
Total debt securities	8,705,714	-	8,705,714	-
Equity Securities:				
Domestic stocks	22,504,152	22,504,152	-	-
Total equity securities	22,504,152	22,504,152	-	-
Temporary investment funds	833,500	833,500	-	-
Total investments by fair value level	32,043,366	<u>\$ 23,337,652</u>	<u>\$ 8,705,714</u>	<u>\$ -</u>
<i>Investments measured at Net Asset Value (NAV)</i>				
Real estate investment fund	4,123,542			
Total investments measured at NAV	4,123,542			
Total investments	<u>\$ 36,166,908</u>			
Investment by type	2020	Level 1	Level 2	Level 3
Debt Securities:				
U.S. Government obligations	\$ 323,625	\$ -	\$ 323,625	\$ -
U.S. Government agency obligations	3,461,172	-	3,461,172	-
Domestic Corporate bonds	3,902,057	-	3,902,057	-
Total debt securities	7,686,854	-	7,686,854	-
Equity Securities:				
Domestic stocks	18,963,234	18,963,234	-	-
Total equity securities	18,963,234	18,963,234	-	-
Temporary investment funds	902,500	902,500	-	-
Total investments by fair value level	27,552,588	<u>\$ 19,865,734</u>	<u>\$ 7,686,854</u>	<u>\$ -</u>
<i>Investments measured at Net Asset Value (NAV)</i>				
Real estate investment fund	3,640,450			
Total investments measured at NAV	3,640,450			
Total investments	<u>\$ 31,193,038</u>			

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 7 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)

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 Plan'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.

<u>Investment measured at NAV</u>	<u>Value 2021</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
U.S. Real Estate Investment Fund, LLC	\$ 4,123,542	Quarterly	90 days
Total investments measured at NAV	<u>\$ 4,123,542</u>		

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

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 8 - INVESTMENT AND ADMINISTRATIVE EXPENSES

Investment and administrative expenses for the years ended September 30, 2021 and 2020 are summarized as follows:

	2021		2020	
	Investment	Administrative	Investment	Administrative
Accounting	\$ -	\$ 4,500	\$ -	\$ 6,000
Actuary	-	16,937	-	32,176
Administrator	-	12,000	-	12,000
Audit	-	15,000	-	14,000
Dues and subscriptions	-	620	-	620
Fiduciary Trust Custodial fee	15,256	-	13,872	-
Fiduciary insurance	-	4,236	-	4,228
Legal	-	9,771	-	9,241
361 Capital LLC fees	-	-	32,823	-
Jackson Creek Investment fees	-	-	11,023	-
Logan Capital Management fees	69,278	-	60,403	-
Garcia, Hamilton & Associates, L.P. fees	22,135	-	20,284	-
Performance monitor	20,209	-	19,486	-
Seminars and meetings	-	2,405	-	-
Office	-	259	-	15
Total	\$ 126,878	\$ 65,728	\$ 157,891	\$ 78,280
Percentage of plan net position	<u>0.35%</u>	<u>0.21%</u>	<u>0.51%</u>	<u>0.25%</u>

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 9 - DESIGNATIONS

A portion of the fiduciary net position is designated for benefits that accrue in relation to the DROP account as further described in Note 1. Allocations to the DROP plan account for the years ended September 30, 2021 and 2020 are presented below as determined in the actuary's most recent valuation available for the fiscal years ended September 30, 2021 and 2020:

	Net Position	
	2021	2020
Designated for DROP accounts (fully funded)	\$ 216,421	\$ 343,099
Undesignated net position	36,158,623	30,907,021
Total net position	\$ 36,375,044	\$ 31,250,120

NOTE 10 - 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.

NOTE 11 - 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.

NOTE 12 - 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.

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 13 - PLAN AMENDMENTS

There were no Plan amendments for the fiscal year ended September 30, 2021.

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.

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.

NOTE 14 - NET PENSION LIABILITY OF THE CITY

The components of net position liability of the City as of September 30, 2021 were as follows:

Total Pension Liability	\$	29,485,245
Plan Fiduciary Net Position		36,375,044
City's Net Pension Liability (Asset)	\$	(6,889,799)
Plan Fiduciary Net Position as a percentage of Total Pension Liability (Asset)		(123.37%)

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 14 - NET PENSION LIABILITY OF THE CITY (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	60%	5.50%
Domestic fixed income	30%	2.50%
Real estate	10%	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 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
City's net pension liability (asset)	\$ (3,532,884)	\$ (6,889,799)	\$ (9,685,745)

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 15 - IMPACT OF COVID-19

During the year ended September 30, 2020, Coronavirus Disease 2019 (“COVID-19”) became a pandemic. The full impact of the COVID-19 outbreak continued to evolve during the final months of the 2021 fiscal year and into the 2022 fiscal year. As such, it is still uncertain as to the full impact of the pandemic; however, the Plan has seen no significant impacts to its operations. At this time, due to the continuing evolution of the COVID-19 outbreak, the Plan is not able to estimate the effects in the long term.

REQUIRED SUPPLEMENTARY SCHEDULES

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**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
LAST EIGHT FISCAL YEARS ***

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability:			
Service cost	\$ 675,563	\$ 605,593	\$ 710,034
Interest	2,054,813	2,000,243	1,997,614
Benefit changes	-	134,434	615,658
Difference between expected and actual experience	(69,441)	(101,689)	(722,312)
Assumption changes	(11,958)	874,824	-
Benefit payments, including refunds of employee contributions	<u>(1,862,505)</u>	<u>(1,845,797)</u>	<u>(1,481,477)</u>
Net change in total pension liability	786,472	1,667,608	1,119,517
Total pension liability, beginning	<u>28,698,773</u>	<u>27,031,165</u>	<u>25,911,648</u>
Total pension liability, ending (a)	<u><u>\$ 29,485,245</u></u>	<u><u>\$ 28,698,773</u></u>	<u><u>\$ 27,031,165</u></u>
Plan fiduciary net position:			
Contributions - employer and state	\$ 595,276	\$ 654,162	\$ 594,598
Contributions - members	188,808	173,300	167,338
Net investment income	6,269,073	2,484,432	700,585
Benefit payments, including refunds of employee contributions	(1,862,505)	(1,845,797)	(1,481,477)
Administrative expenses	<u>(65,728)</u>	<u>(78,280)</u>	<u>(73,964)</u>
Net change in plan fiduciary net position	5,124,924	1,387,817	(92,920)
Plan fiduciary net position - beginning	<u>31,250,120</u>	<u>29,862,303</u>	<u>29,955,223</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 36,375,044</u></u>	<u><u>\$ 31,250,120</u></u>	<u><u>\$ 29,862,303</u></u>
Net pension liability (asset) (a) - (b)	<u><u>\$ (6,889,799)</u></u>	<u><u>\$ (2,551,347)</u></u>	<u><u>\$ (2,831,138)</u></u>

* Information prior to fiscal year 2014 was not readily available.

2018	2017	2016	2015	2014
\$ 676,144	\$ 770,072	\$ 760,315	\$ 685,630	\$ 728,582
1,916,514	1,970,862	1,939,254	1,895,631	1,799,225
(2,507,861)	-	-	-	-
654,544	(610,687)	(704,111)	(18,648)	(780,543)
-	686,077	-	-	-
(1,466,384)	(1,727,246)	(1,456,540)	(1,337,591)	(1,205,714)
(727,043)	1,089,078	538,918	1,225,022	541,550
26,638,691	25,549,613	25,010,695	23,785,673	23,244,123
<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>
\$ 1,046,237	\$ 1,262,959	\$ 1,182,194	\$ 1,118,829	\$ 943,208
111,835	111,261	105,320	97,124	90,712
3,696,996	3,011,138	1,211,993	1,036,070	2,603,632
(1,466,384)	(1,727,246)	(1,456,540)	(1,337,591)	(1,205,714)
(90,802)	(65,265)	(53,575)	(58,144)	(51,602)
3,297,882	2,592,847	989,392	856,288	2,380,236
26,657,341	24,064,494	23,075,102	22,218,814	19,838,578
<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>\$ (4,043,575)</u>	<u>\$ (18,650)</u>	<u>\$ 1,485,119</u>	<u>\$ 1,935,593</u>	<u>\$ 1,566,859</u>

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
SCHEDULE OF RATIOS
LAST EIGHT FISCAL YEARS *****

Fiscal Year Ended September 30,	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Covered Payroll *	Net Pension Liability as a Percentage of Covered Payroll **
2014	83.42%	\$ 1,912,968	81.91%
2015	92.26%	2,158,300	89.68%
2016	94.19%	2,335,381	63.59%
2017	100.07%	2,472,455	(0.75)%
2018	115.61%	2,484,983	(162.72)%
2019	110.47%	2,574,417	(109.97)%
2020	108.89%	2,666,145	(95.69)%
2021	123.37%	2,904,741	(237.19)%

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 benefit and assumption changes prior to fiscal year ended September 30, 2021. For fiscal year ended September 30, 2021, Benefit changes - None; Assumption changes - Mortality assumption for disabled participants was updated.

* As reported in System's financial statements.

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

*** Information prior to fiscal year 2014 was not readily available.

**CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Covered Payroll ⁽²⁾⁽³⁾	Actual Contribution as a Percentage of Covered Payroll
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%
2021	598,547	595,276	3,271	2,904,741	20.49%

(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 CONTRIBUTIONS
 SEPTEMBER 30, 2021**

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, 2021:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Amortization Period	30 years
Asset Valuation Method	5-year smoothed
Inflation	2.50%
Salary Increases	3.5% -7.0%
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	For healthy Police Officer participants during employment, PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For healthy Police Officer participants post employment, PUB-2010 Headcount Weighted Safety Healthy Retiree Female Mortality Table and Safety Below Median Healthy Retiree Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For disabled participants, 80% PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table / 20% PUB-2010 Headcount Weighted Safety Disabled Retiree Mortality Table, separate rates for males and females, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018.

CITY OF NEW PORT RICHEY POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO THE SCHEDULE OF CONTRIBUTIONS - (Continued)
SEPTEMBER 30, 2021

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.

Assumption Changes

2019: investment return, mortality assumptions, employee withdrawal rates, salary increase factors and assumed retirement age updated. 2018: assumed retirement age updated due to benefit changes. 2017: salary increase factors and assumed retirement age updated due to benefit changes. 2016: investment return decreased to 7.75%; mortality assumptions, salary increase 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
 SCHEDULE OF INVESTMENT RETURNS
 LAST EIGHT FISCAL YEARS ***

Fiscal Year Ended September 30,	Annual Money-Weighted Rate of Return Net of Investment Expense
2014	14.00%
2015	4.06%
2016	6.31%
2017	12.46%
2018	13.53%
2019	1.99%
2020	8.31%
2021	20.49%

* Information prior to fiscal year 2014 was not readily available.