

**NORTH MIAMI POLICE PENSION PLAN**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

**NORTH MIAMI POLICE PENSION PLAN**  
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**SEPTEMBER 30, 2023**

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**INDEPENDENT AUDITORS' REPORT**

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Accountants  
Advisors

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Plan Administrator  
North Miami Police Pension Plan  
North Miami, Florida

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the North Miami Police Pension (the "Plan"), which comprise the statement of fiduciary net position as of the fiscal year ended September 30, 2023, and the related statement of changes in fiduciary net position for the fiscal year ended, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

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, 2023, and the change in fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Matter***

***Report on Comparative Information***

We have previously audited the Plan's 2022 financial statements, and our report dated June 28, 2023, expressed an unmodified opinion on those financial statements. In our opinion, the comparative information presented herein as of and for the fiscal year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the City's net position liability and related ratios, the schedule of City contributions, and the schedule of investment returns on pages 4-9 and 21-23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The accompanying schedule of administrative and investment expenses is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative and investment expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2024, 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, and 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.

*Caballero Fierman Llerena & Garcia, LLP*

Miami, Florida  
March 19, 2024

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

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**NORTH MIAMI POLICE PENSION PLAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**

The discussion and analysis of the City of North Miami's North Miami Police Pension Plan ("NMPPP") provides an overview of the financial activities and funding conditions for the fiscal years ended September 30, 2023 and 2022.

**Financial Highlights**

The NMPPP net results from operations for fiscal year 2023 reflected the following financial activities:

- A net increase of \$100,561,937 in net position (or 6.42%) compared to the prior year of \$94,495,300. This was due primarily to \$6,066,637 increase in fair value of investments in the current year compared to the previous year. The change in net position showed a significant improvement in 2023.
- There was a significant turnaround in investment income, with a positive net investment income of \$6,962,387 in 2023, compared to a substantial loss of (\$9,442,357) in 2022.
- Despite the decrease in contributions, the total additions turned positive in 2023, amounting to \$12,995,790, compared to a negative total of (\$3,361,965) in 2022.
- The statement of changes in fiduciary net position reflects the financial performance that occurred during the year. Employer contributions for the year decreased from \$ 5,035,642 in fiscal year 2022 to \$5,020,198 in fiscal year 2023. The amounts of employer contributions vary from year to year and are actuarially determined while member contributions are equal to 11.51% of covered payroll. This resulted in a decrease of \$15,444 for the 2023 fiscal year.
- Comparing to the 2022 reporting, Money Market funds totaled \$778,974 in that year, whereas in 2023, they amounted to \$3,463,831. This significant increase can be attributed to the relatively high or rising interest rates throughout 2023, which led to augmented yields on short-term investments, consequently benefiting Money Market funds.
- In the report, the plan disclosed a net investment income of \$6,962,387, marking an increase of \$2,479,970 compared to 2022. This represents a significant gain of 26.23% in net investment income from the previous year.
- Benefit payments and Administrative expenses increased by 5.63% from \$6,559,643 in 2022 to 6,929,153 in 2023.



**NORTH MIAMI POLICE PENSION PLAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**

**Statement of Fiduciary Net Position**

The statement of fiduciary net position provides a snapshot of account balances at fiscal year end. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net position value, or assets minus liabilities, represents the value of net position restricted for pension benefits. The NMPPP continues to be adequately funded. It is important to remember that retirement system funding is based on a long time horizon, and that temporary ups and downs in the market are to be expected.

The summary of fiduciary net position is presented below:

The summary of fiduciary net position is presented below:

	September 30	
	2023	2022
<b>Assets:</b>		
Cash	\$ 179,664	\$ 905,468
Investments	100,266,996	93,041,638
Receivables	334,695	567,890
Other Assets	14,706	6,909
Total Assets	100,796,061	94,521,905
Liabilities	234,124	26,605
Net Position Restricted for Pension Benefits	\$ 100,561,937	\$ 94,495,300

**NORTH MIAMI POLICE PENSION PLAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**

**Statement of Changes in fiduciary Net Position**

The statement of changes in fiduciary net position displays the effects of pension fund transactions that occurred during the fiscal year where additions less deductions equal the net increase or decrease in fiduciary net position.

The summary of changes in fiduciary net position is presented below:

	Fiscal Year Ended September 30	
	2023	2022
Additions		
Contributions	\$ 6,033,403	\$ 6,080,392
Investment income, net	6,962,387	(9,442,357)
Total Additions	12,995,790	(3,361,965)
Deductions		
Benefits paid to plan members	6,494,396	6,177,144
Administrative expenses	434,757	382,499
Total Deductions	6,929,153	6,559,643
Change in Net Position	6,066,637	(9,921,608)
Net Position Restricted for Pension Benefits		
Beginning of year, as previously reported	94,495,300	104,416,908
End of year	\$ 100,561,937	\$ 94,495,300

**Funding Status**

Of primary concern to most pension plan participants is the amount of money available to pay benefits. A pension plan can become underfunded when the employer fails to make annual, actuarially required contributions to that plan. The City has traditionally contributed the annual required contribution to the NMPPP as determined by the Plan's actuary. The funded ratio this year is 75.8% compared to 75.0%

**Net Pension Liability**

With the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 67, a measure of the accounting liability of the City of North Miami, Florida (the "City") is referred to as the net pension liability and is measured as of the Plan's year end and is presented in Note 4 and the required supplementary information section.

**NORTH MIAMI POLICE PENSION PLAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**

**Plan Membership**

Change in Plan Membership

	September 30		
	2023	2022	Change
Inactive plan members and beneficiaries currently receiving benefits	73	65	(8)
Inactive plan members entitled but not yet receiving benefits	3	2	(1)
Active plan members	69	74	5
<b>Total Membership</b>	<b>145</b>	<b>141</b>	<b>(4)</b>

**Asset Allocation**

The following table compares the Plan's policy target asset allocation to actual allocation for September 30, 2023 and 2022.

**Assets allocation**

	2023		2022	
	Target	Actual	Target	Actual
Equities	62.00%	60.60%	60.00%	54.70%
Fixed Income	21.00%	19.70%	21.00%	20.20%
Real Estate	19.00%	19.20%	19.00%	23.50%
Cash	0.00%	0.50%	0.00%	1.40%

**Investment Activities**

Investment income is vital to the NMPPP for current and future financial stability. Therefore, the trustees have a fiduciary responsibility to act prudently and discreetly when making Plan investment decisions. To assist the board of trustees in this area, the board employs the services of an investment consultant to periodically review and update the investment policy.

The board and its investment consultant review portfolio performance quarterly. Performance is evaluated by individual money managers and by the asset class that each manager holds. Each performance is compared [a] to an internal benchmark (7.00% actuarial rate of return), [b] to a universe of peers and [c] to a broad financial benchmark (for example, S&P 500).

**NORTH MIAMI POLICE PENSION PLAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**

Overall performance results, gross of fees, for the Plan can be viewed in the table below:

Summary of Investment Returns

	September 30,		Annualized	
	2023	2022	3 Yr. Return	5 Yr. Return
<b>Equities</b>				
Fund Return	18.08%	-17.21%	10.70%	6.70%
Fund Policy	18.97%	-18.55%	10.13%	6.75%
<b>Fixed Income</b>				
Fund Return	1.34%	-10.15%	-3.48%	0.46%
Fund Policy	1.82%	-11.27%	-3.50%	0.79%
<b>Real Estate</b>				
Fund Return	-12.54%	0.00%	5.52%	5.04%
Fund Policy	-12.22%	-11.27%	6.17%	4.71%
<b>Total Fund</b>				
Fund Return	7.33%	-8.91%	7.08%	5.30%
Fund Policy	9.06%	-10.01%	7.02%	5.62%

The Plan uses the S&P 500, S&P 600, S&P 400 and the MSCI Europe Australasia Far East (“EAFE”) indices as its equities policy. The Barclays Capital Government Credit Index (BCGC) and the Barclays Capital Intermediate Government Credit Index (BCIGC) for its fixed income policy. Real estate investments are measured against the National Council of Real Estate Investment Fiduciaries (“NCREIF”) index. The overall fund performance of the Plan is compared to the return of a portfolio comprised of the following:

**Benchmarks per the Investment Policy**

Russell 1000 Value (equities)	12%
Russell 1000 Growth (equities)	12%
Standard & Poor's 600 (equities)	12%
Standard & Poor's 400 (equities)	12%
MSCI Europe Australasia Far East (equities)	12%
Bloomberg Barclays Intermediate Government Credit	16%
Bloomerg Barcalys Aggregate Bond	5%
NCREIF Property Index	19%
	100%

**NORTH MIAMI POLICE PENSION PLAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**

**Financial Analysis Summary**

Domestic equity markets struggled in the third quarter, reverting from the performance posted in the first half of 2023. Strong performance from domestic equities markets earlier in the year was enough to overshadow the third quarter's negative returns, leading to positive results for most domestic equity benchmarks on a trailing one-year basis. Macroeconomic challenges faced by the US economy for the past several quarters finally weighed on market participants, leading to dismal market returns. For the period, the Russell 1000 large-cap benchmark returned -3.1% versus -4.7% for the Russell Mid Cap Index and -5.1% for the Russell 2000 small-cap index.

International developed and emerging market equities also delivered disappointing results, in line with their domestic counterparts. Europe continues to face geopolitical risks related to the conflict in Ukraine and rising interest rates. However, inflation has eased somewhat due to higher rates and more manageable energy prices. The developed-market MSCI EAFE Index returned -4.1% for the quarter and the MSCI Emerging Markets Index fell by -2.9%.

The domestic bond market continued its decline during the quarter due to the Fed's decision to hike policy rates an additional 0.25% and a re-shaping of the Treasury yield curve. The Bloomberg US Aggregate Index returned -3.2% for the quarter and investment-grade corporate bonds returned a similar -3.1%.

Real Estate had a very negative year following a very strong 2022. Valuations across the board (but particularly in office) were negatively impacted due to the continued increases in interest rates as well as limited liquidity stemming in part from the regional banking issues during the first half of 2023. For the last 12-months, the NCREIF ODCE (EW) index returned -13.3%.

The plan had a much better return in Fiscal year 2023 as compared to 2022, however, the plan underperformed for the year (7.01% vs. 9.06%) due in part to a couple equity managers being behind for the year, but the primary factor was the underperformance of the real estate portfolio along with the fact that the plan was overweight to real estate for much of the year. The fixed income portfolio with GHA was behind of the index by -0.80%, while the real estate managers combined to underperform by -2.41%.

**Contacting the Plan's Financial Management**

This financial report is designed to provide the Board of Trustees, Plan participants and the marketplace's credit analysts 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 Plan Administrator at 305-853-9393 or at the following address; 12000 Biscayne Blvd., Suite 508, North Miami, Florida 33181.

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**FINANCIAL STATEMENTS**

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**NORTH MIAMI POLICE PENSION PLAN**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2023**  
(WITH COMPARATIVE INFORMATION AS OF SEPTEMBER 30, 2022)

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Cash	\$ 179,664	\$ 905,468
Investments:		
Money market funds	3,463,831	778,974
U.S. treasuries	5,527,038	11,294,080
U.S. agencies	7,380,761	1,088,518
Corporate bonds	1,638,419	1,999,985
Common stock	24,182,618	20,545,795
Equity mutual fund	11,112,828	10,013,251
Real state funds	18,653,225	22,033,631
Bond index fund	4,590,753	4,567,841
Equity securities index funds	23,717,523	20,719,563
Total investments	<u>100,266,996</u>	<u>93,041,638</u>
Receivables:		
Due from broker	202,004	453,570
Plan member contributions	16,762	14,273
Accrued interest	101,435	80,857
Accrued dividends	14,494	19,190
Total receivables	<u>334,695</u>	<u>567,890</u>
Other assets	<u>14,706</u>	<u>6,909</u>
Total assets	<u>100,796,061</u>	<u>94,521,905</u>
	<u>LIABILITIES</u>	
Due to brokers	189,752	-
Payables	44,372	26,605
Total liabilities	<u>234,124</u>	<u>26,605</u>
	<u>NET POSITION</u>	
Net position restricted for pension benefits	<u>\$ 100,561,937</u>	<u>\$ 94,495,300</u>

The accompanying notes are an integral part of these financial statements

**NORTH MIAMI POLICE PENSION PLAN**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**  
(WITH COMPARATIVE INFORMATION FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>ADDITIONS:</b>		
Contributions:		
Employer	\$ 5,020,198	\$ 5,035,642
Plan members	930,523	962,068
State contributions	82,682	82,682
Total contributions	<u>6,033,403</u>	<u>6,080,392</u>
Investment income:		
Net increase (decrease) in fair value of investments	4,784,757	(10,906,960)
Interest	716,663	502,152
Dividends	1,760,806	1,617,602
	<u>7,262,226</u>	<u>(8,787,206)</u>
Less investment expenses	(299,839)	(655,151)
Net investment income	<u>6,962,387</u>	<u>(9,442,357)</u>
Total additions	<u>12,995,790</u>	<u>(3,361,965)</u>
<b>DEDUCTIONS:</b>		
Benefits paid to plan members		
Pension benefits	5,979,576	5,496,346
Lump sum retirement	514,820	653,457
Refund of member contributions	-	27,341
Total benefits paid to plan members	<u>6,494,396</u>	<u>6,177,144</u>
Administrative expenses	<u>434,757</u>	<u>382,499</u>
Total deductions	<u>6,929,153</u>	<u>6,559,643</u>
Change in net position	6,066,637	(9,921,608)
Net position restricted for pension benefits:		
Beginning of year	94,495,300	104,416,908
End of year	<u>\$ 100,561,937</u>	<u>\$ 94,495,300</u>

The accompanying notes are an integral part of these financial statements



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**NOTES TO THE FINANCIAL STATEMENTS**

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**NORTH MIAMI POLICE PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements of the North Miami Police Pension Plan (the “Plan”) are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer 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. Interest and dividends are recorded as earned.

**Method Used to Value Investments**

Investments are reported at fair value except for money market funds which are reported at amortized cost. Net appreciation or depreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of average cost. Purchases and sales of securities are recorded on the trade-date. Dividends are recorded on the ex-dividend date.

Within certain limitations as specified in the Plan, the investment policy is determined by the Board of Trustees and is implemented by the Plan’s investment managers. A financial consultant monitors the investment managers.

For more detail regarding the methods used to measure the fair value of investments refer to the fair value hierarchy in Note 3.

**Uses of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires the Plan to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**Comparative Information**

The financial statements include certain prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Plan’s financial statements for the fiscal year ended September 30, 2022, from which the summarized comparative information was derived.

**NOTE 2 – PLAN DESCRIPTION**

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for more information.

**Plan Description**

The City of North Miami, Florida (the “City” or the “Employer”) is the administrator of a single-employer defined benefit pension plan established to provide pension benefits for its employees. The Plan is administered by a seven member Board of Trustees comprised of three members occupying positions specifically designated by Ordinance and four elected police members.

**NORTH MIAMI POLICE PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 2 – PLAN DESCRIPTION (CONTINUED)**

**Plan Description (Continued)**

Effective January 1, 1977, the City established a retirement system by Ordinance 748 for all employees hired on or after that date and for all employees under the City's then existing retirement system, the Clair T. Singerman Employees' Retirement System ("691 plan"), who elected to join the new Plan. Effective April 3, 1994, all general employees were transferred to the 691 plan. In effect, this Plan's membership is now restricted to sworn police personnel hired on or after January 1, 1977. This Plan provides retirement benefits as well as death and disability benefits. Since the Plan is a single-employer public employees' retirement system sponsored by the City, the Plan is considered part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. The latest available actuarial valuation is as of October 1, 2022 (beginning of year valuation date); however, employer contribution requirements for the fiscal year ended September 30, 2023 were based on the October 1, 2021 valuation. Benefit and contribution provisions are established by City Ordinance and may be amended only by City Council.

**Plan Membership**

The membership in the Plan as of October 1, 2022 (the date of the latest actuarial valuation):

Inactive Plan members and beneficiaries currently receiving benefits	69
Inactive Plan members entitled but not yet receiving benefits	2
Active Plan members	74
Total membership	145

Effective December 1, 2016, the Plan was closed to new members. New police officers hired by the City will join the Florida Retirement System ("FRS"). Existing members to the Plan had the option to remain in the Plan or to choose to participate in the FRS. These members had the option of keeping their accrued benefits in the Plan or receiving refunds of member contributions.

**Pension Benefits**

Plan members become partially vested (25%) after 5 years credited service, increasing 15% annually, with full vesting after 10 years of credited service.

Normal retirement is the earlier of age 55 and 10 years of service or age 50 and 20 years of service. A member may elect to receive in a lump sum at retirement an amount, which is the actuarial equivalent of the benefits otherwise payable under the Plan.

Early retirement is available at age 50 and 10 years of service. For certain members hired on or before December 31, 2006, early retirement is also available after 20 years of service regardless of age.

Normal retirement benefits are based on 1% of average final compensation (AFC) multiplied by the years of service up to July 1, 1979, plus 3% of average final compensation for the years of service from June 30, 1979 to June 30, 1997; and 3.5% of AFC for the years of service on or after July 1, 1997. Additionally, accumulated Plan member contributions up to September 30, 1982, are payable to the member in a lump sum upon termination or retirement.

Terminated members with less than five years creditable service receive their contribution plus accrued interest accumulated since initial employment. Partially vested members receive the greater of member contributions plus accrued interest or the sum of member contributions prior to October 1, 1982, plus their vested benefits.

**NORTH MIAMI POLICE PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 2 - PLAN DESCRIPTION (CONTINUED)**

**Contributions and Funding Policy**

Employees contribute 9.51% of their base salaries or wages based on the Plan's investment performance. Interest is credited annually on members' accumulated contributions at a rate of interest determined at the discretion of the Board of Trustees. The interest rate was 0.00% for 2022. Employer and state contributions for the fiscal year ended September 30, 2023 was 61.12% of covered payroll.

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements of the Plan is the Entry Age Normal.

Pursuant to Chapter 185, Florida Statutes, and the collective bargaining agreement of October 1, 2021, insurance premium tax monies received are shared between the City and the North Miami Police Share Plan. The net insurance premium tax received during the fiscal year was \$82,682.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposits**

Deposits, which include cash on hand, are covered by federal deposit insurance. At September 30, 2023, the Plan had an insured cash balance of approximately \$179,664 with one financial institution.

**Investments**

All investments made or held by the Plan shall be limited to the following as per the Plan's investment policy:

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation provided the amount deposited does not exceed the insured amount.
2. Obligations issued by the U.S. government or an agency or instrumentality of the U.S. government, including mortgage-related securities.
3. Domestic and international equities.
4. Fixed income investments defined as preferred issues and fixed income securities.
5. Money market funds, defined as fixed income securities having a maturity of less than one year.
6. Bonds issued by the State of Israel.
7. Commingled stock, bond or money market funds whose investments are restricted to securities meeting the criteria in items 1 through 6 above.
8. Domestic commercial real estate property holdings.

**Maturity**

Neither state law nor Plan investment policy limits maturity terms on fixed income holdings. As of September 30, 2023, the Plan had the following fixed income investments in its portfolio:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1 year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>
U.S. Treasuries	5,527,038	\$ -	\$ 5,527,038	\$ -	\$ -
U.S. Agencies	7,380,761	-	-	-	7,380,761
Corporate Bonds	1,638,419	-	440,534	1,197,885	-
<b>Total Fair Value</b>	<b>\$ 14,546,218</b>	<b>\$ -</b>	<b>\$ 5,967,572</b>	<b>\$ 1,197,885</b>	<b>\$ 7,380,761</b>

**NORTH MIAMI POLICE PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to market value losses arising from increasing interest rates.

**Rate of Return**

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension plan investments, net of investment expense was 7.33%. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

**Credit Risk**

State law and the Plan's investment policy limits investments in bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided the corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service. The Plan's investment policy limits fixed income investments to a rating no lower than Standard & Poor's BBB to Moody's Baa.

The Plan's corporate bonds and agency bonds were all rated "A" or better under Standard & Poor's ratings and at least "A" under Moody's ratings.

The following tables disclose credit ratings of the fixed income securities, at September 30, 2023, as applicable:

	Fair Value	Percentage of Portfolio
Moody rating of credit risk debt securities		
AGY	\$ 7,380,761	51%
A1	470,510	3%
A2	281,189	2%
A3	886,720	6%
Aaa	5,527,038	38%
Total fixed income	<u>\$ 14,546,218</u>	<u>100%</u>

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

**Concentration of Credit Risk**

The Plan's investment policy stipulates that not more than 5% of Plan assets can be invested in the common stock of any one issuing company nor can the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of any company. As of September 30, 2023, the value of each position held by the Plan portfolio comprised less than 5% of fiduciary net position and less than 5% of the value of the outstanding capital stock of the respective company.

**NORTH MIAMI POLICE PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk**

This is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are held by the counterparty. The Plan has third party custodial arrangements with financial institutions to accept securities on a delivery versus payment basis for direct purchase agreements. All securities purchased by the Plan are designated as an asset of the Plan in the Plan's name and are held in safekeeping by the Plan's custodial bank or a third party custodial institution.

**Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of fiduciary net position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis which the Plan believes minimizes these risks.

**Fair Value Hierarchy**

Fair value is defined 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 Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1

Investments' fair values based on prices quoted in active markets for identical assets.

Level 2

Investments' fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3

Investments' fair values based upon unobservable inputs.

The following is a description of the fair value techniques for the Plan's investments. Level 1 and 2 prices are obtained from various pricing sources by the Plan's custodian bank:

Money market funds are reported at amortized cost.

Equity securities traded on national or international exchanges are valued at the last reported sales price or current exchange rates (Level 1). This includes common stock, mutual fund equities and U.S. Treasury bonds and notes.

Debt securities classified as Level 2 are valued using pricing inputs that reflect the assumptions market participants would use to price an asset or liability and are developed based on market data obtained from sources independent of the reporting entity. This includes U.S. federal agencies, mortgage backed and collateralized securities, municipal bonds, and corporate obligations, including asset backed bonds and notes.

The Plan has investments in alternative assets consisting of real estate funds and collective investment trust funds which hold a variety of investment vehicles that do not have readily available market quotations. The alternative investments are measured at net asset value based on their proportionate share of the value of the investments as determined by the fund managers and are valued according to methodologies which include pricing models, discounted cash flow models and similar techniques.

**NORTH MIAMI POLICE PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Fair Value Hierarchy (Continued)**

Real estate partnerships provide quarterly valuations to the pension trust fund management. Individual properties are valued by the investment management at least annually and are adjusted as frequently as quarterly if material market or operational changes have occurred. Properties are generally externally appraised every one to five years, depending on the investment. Annual audits of partnerships include a review of compliance with each partnership's valuation policies.

The fair value of collective investment trusts are determined by the fair values of the underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings within each fund are publicly traded securities. The funds have daily openings and contributions and withdrawals can be made on a daily basis.

The following is a summary of the fair value hierarchy of the fair value of investments as of September 30, 2023:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
<b>Debt securities</b>				
U.S. treasuries	\$ 5,527,038	\$ 5,527,038	\$ -	\$ -
U.S. agencies	7,380,761	-	7,380,761	-
Corporate bonds	1,638,419	-	1,638,419	-
<b>Total debt securities</b>	<u>14,546,218</u>	<u>5,527,038</u>	<u>9,019,180</u>	<u>-</u>
<b>Equity securities</b>				
Common stock	24,182,618	24,182,618	-	-
Equity mutual fund	11,112,828	11,112,828	-	-
<b>Total equity securities</b>	<u>35,295,446</u>	<u>35,295,446</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>49,841,664</u>	<u>\$ 40,822,484</u>	<u>\$ 9,019,180</u>	<u>\$ -</u>
<b>Investments measured at Net Asset Value (NAV)</b>				
Real estate funds	18,653,225			
Collective investment trust funds				
Bond index fund	4,590,753			
Equity securities index funds	23,717,523			
Total investments measured at NAV	<u>46,961,501</u>			
Money market funds (exempt)	3,463,831			
Total	<u>\$ 100,266,996</u>			

**NORTH MIAMI POLICE PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Fair Value Hierarchy (Continued)**

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible	Redemption Notice Period (Days)
Real estate funds	\$ 18,653,225	\$ -	Daily	10-90
Collective investment trust funds:				
Bond index fund	4,590,753	-	Daily	1
Equity securities index funds	23,717,523	-	Daily	1
<b>Total investments measured at NAV</b>	<b>\$ 46,961,501</b>			

*Real estate funds* – Consists of two real estate partnerships. One of the funds is an open end diversified core real estate commingled fund whose primary objective is to provide returns that are attractive to other asset classes with stable income and the potential for market appreciation. The fund invests primarily in core institutional quality industrial, multi family, office, and retail properties located throughout the United States, and is diversified by product type, geographic region, and economic exposure in order to mitigate investment risk. Requests for redemption in this fund may be made at any time with 10 days' notice. The other real estate fund held by the plan invests directly and indirectly in real estate using vehicles such as joint ventures, partnerships and other participation interests with real estate owners, developers and others. The fund seeks a diversified portfolio consisting of yield-driven real estate value added investments consisting of multi-family, industrial, retail, residential and mixed-use properties. The fund provides for redemptions with 90 days' notice.

*Collective investment trust funds* – Consists of three index funds considered commingled in nature which are designed to match the returns of their respective benchmark index. The objective of two of the funds is to match the returns of the S&P Small-Cap 600 Index and S&P MidCap 400 Index through investments in substantially all the stocks contained in those indexes respectively. The objective of the third fund is to match the return of the Bloomberg Barclays Aggregate U.S. Bond Index through investment in substantially all the bonds contained in that index. Each are valued at the net asset value held at the end of the period based upon the fair value of the underlying investments. These funds are open for withdrawal daily and provide for redemptions with 1 day notice.

**NOTE 4 – NET PENSION LIABILITY OF THE CITY**

The components of the net pension liability of the City at September 30, 2023:

Total pension liability	\$ 138,055,094
Plan fiduciary net position	<u>100,561,937</u>
Net pension liability	<u>\$ 37,493,157</u>
 Plan fiduciary net position as a percentage of total pension liability	 72.84%



**NORTH MIAMI POLICE PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 4 – NET PENSION LIABILITY OF THE CITY (CONTINUED)**

**Significant Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of October 1, 2022 and rolled forward to September 30, 2023, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% - 9.00% depending on service
Investment rate of return	7.00%
Retirement age	Experience-based table of rates are specific to the type of eligibility condition.
Mortality table	

The mortality tables are the PUB-2010 Headcount Weighted Safety Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Below Median Healthy Retiree Male Table (post-retirement) and the PUB-2010 Safety Healthy Retiree Female Table (post-retirement). These tables use ages set forward one year and mortality improvements to all future years after 2010 using scale MP-2018. These are the same rates used for Special Risk Class members in the July 1, 2021 Actuarial Valuation of the Florida Retirement System (FRS).

**Long-term Expected Rate of Return**

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 expense 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, 2023 are summarized in the following table:

Asset Group	Long Term Expected Real Rate of Return	Long Term Expected Real Rate of Return
Domestic Equity	48.00%	7.50%
International Equity	12.00%	8.50%
Domestic Bonds	21.00%	2.50%
International Bonds	0.00%	3.50%
Real Estate	19.00%	4.50%
Alternative Assets	0.00%	6.24%

**Discount Rate**

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension Plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension Plan investments (7.00%) was applied to all periods of projected benefit payments to determine the total pension liability.

**NORTH MIAMI POLICE PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 4 – NET PENSION LIABILITY OF THE CITY (CONTINUED)**

**Sensitivity of the Net Pension Liability of the City to Changes in the Discount Rate**

Below is a table providing the sensitivity of the net pension liability of the City to changes in the discount rate. In particular, the table presents the Plan's net pension liability calculated using a discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate:

<u>1% Decrease</u>	<u>Current Single Discount Rate Assumption</u>	<u>1% Increase</u>
6.00%	7.00%	8.00%
\$ 56,196,873	\$ 37,493,157	\$ 22,106,959

**NOTE 5 – TAX STATUS**

The Internal Revenue Service has determined and informed the Plan by a letter dated September 26, 2014, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code. Management believes that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**NORTH MIAMI POLICE PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability:</b>										
Service cost	\$ 2,565,332	\$ 2,575,874	\$ 2,728,817	\$ 2,745,074	\$ 2,884,226	\$ 2,874,281	\$ 2,736,585	\$ 2,688,621	\$ 2,364,576	\$ 2,474,226
Interest	9,259,494	8,821,801	8,368,131	8,192,391	7,986,311	7,175,820	7,112,421	6,699,774	6,407,038	5,987,806
Difference between actual & expected experience	(235,691)	1,335,775	1,753,351	1,490,024	(2,846,387)	5,426,628	(586,971)	(722,729)	(2,551,912)	-
Assumption changes	-	1,640,630	1,560,253	(2,593,823)	1,471,145	1,422,393	2,910,987	1,055,450	973,319	-
Benefit payments	(6,494,396)	(6,149,803)	(6,225,983)	(5,351,111)	(4,686,763)	(4,550,105)	(4,280,161)	(2,859,026)	(2,992,356)	(3,537,499)
Refunds	-	(27,341)	(58,715)	-	(71,573)	(18,657)	(32,663)	(160,092)	-	(72,946)
Net change in total pension liability	5,094,739	8,196,936	8,125,854	4,482,555	4,736,959	12,330,360	7,860,198	6,701,998	4,200,665	4,851,587
Total pension liability - beginning	132,960,355	124,763,419	116,637,565	112,155,010	107,418,051	95,087,691	87,227,493	80,525,495	76,324,830	71,473,243
Total pension liability - ending (a)	\$ 138,055,094	\$ 132,960,355	\$ 124,763,419	\$ 116,637,565	\$ 112,155,010	\$ 107,418,051	\$ 95,087,691	\$ 87,227,493	\$ 80,525,495	\$ 76,324,830
<b>Plan fiduciary net position:</b>										
Contributions - employer	\$ 5,020,198	\$ 5,035,642	\$ 4,545,250	\$ 4,682,955	\$ 4,724,031	\$ 3,884,945	\$ 3,744,407	\$ 3,558,223	\$ 3,358,659	\$ 3,194,000
Contributions - employer (from State/Share Plan)	82,682	82,682	186,255	197,038	184,085	82,682	82,682	576,823	82,682	82,682
Contributions - member	930,523	962,068	845,591	875,237	907,850	932,232	1,153,440	1,014,411	846,576	791,906
Net investment income	6,962,387	(10,063,022)	21,777,391	3,509,502	420,126	8,694,199	6,933,826	5,759,158	1,672,653	4,798,319
Benefit payments	(6,494,396)	(6,149,803)	(6,225,983)	(5,351,111)	(4,686,763)	(4,550,105)	(4,280,161)	(2,859,026)	(2,992,356)	(3,537,499)
Refunds	-	(27,341)	(58,715)	-	(71,573)	(18,657)	(32,663)	(160,092)	-	(72,946)
Administrative expenses	(434,757)	(382,499)	(280,229)	(270,755)	(253,291)	(227,839)	(159,823)	(136,260)	(126,435)	(132,094)
Net change in plan fiduciary net position	6,066,637	(10,542,273)	20,789,560	3,642,866	1,224,465	8,797,457	7,441,708	7,753,237	2,841,779	5,124,368
Plan fiduciary net position - beginning	94,495,300	105,037,573	84,248,013	80,605,147	79,380,682	70,583,225	63,141,517	55,388,280	52,546,501	47,422,133
Plan fiduciary net position - ending (b)	\$ 100,561,937	\$ 94,495,300	\$ 105,037,573	\$ 84,248,013	\$ 80,605,147	\$ 79,380,682	\$ 70,583,225	\$ 63,141,517	\$ 55,388,280	\$ 52,546,501
Net pension liability - ending (a) - (b)	\$ 37,493,157	\$ 38,465,055	\$ 19,725,846	\$ 32,389,552	\$ 31,549,863	\$ 28,037,369	\$ 24,504,466	\$ 24,085,976	\$ 25,137,215	\$ 23,778,329
Plan fiduciary net position as a percentage of total pension liability	72.84%	71.07%	84.19%	72.23%	71.87%	73.90%	74.23%	72.39%	68.78%	68.85%
Covered payroll*	\$ 7,959,950	\$ 8,214,176	\$ 8,887,506	\$ 8,936,209	\$ 9,667,188	\$ 9,962,588	\$ 9,058,510	\$ 9,185,954	\$ 8,901,956	\$ 8,327,087
Net pension liability as a percentage of covered payroll	471.02%	468.28%	221.95%	362.45%	326.36%	281.43%	270.51%	262.20%	282.38%	285.55%

\*Estimated covered payroll

**NORTH MIAMI POLICE PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CITY CONTRIBUTIONS**

Fiscal Year Ending <u>September 30,</u>	Actuarially Determined <u>Contribution</u>	Actual <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Actual Contribution as a % of <u>Covered Payroll</u>
2023	\$ 5,102,880	\$ 5,102,880	\$ -	\$ 7,959,950	64.11%
2022	5,118,324	5,118,324	-	8,214,176	62.31%
2021	4,731,505	4,731,505	-	8,887,506	53.24%
2020	4,879,993	4,879,993	-	8,936,209	54.61%
2019	4,908,116	4,908,116	-	9,667,188	50.77%
2018	3,967,627	3,967,627	-	9,962,588	39.83%
2017	3,827,089	3,827,089	-	9,058,510	42.25%
2016	3,640,905	4,135,046	(494,141)	9,185,954	45.01%
2015	3,441,341	3,441,341	-	8,901,956	38.66%
2014	3,239,178	3,276,682	(37,504)	8,327,087	39.35%

Notes to Schedule of City Contributions

Valuation Date	10/1/2021
Notes	Actuarially determined contributions are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	Recognition of 20% of difference between market value of assets and expected actuarial value of assets
Inflation	2.50%
Salary Increases	3.50% to 9.00% depending on service
Investment Rate of Return	7.10%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The mortality tables are the PUB-2010 Headcount Weighted Safety Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Below Median Healthy Retiree Male Table (post-retirement) and the PUB-2010 Safety Healthy Retiree Female Table (post-retirement). These tables use ages set forward one year and mortality improvements to all future years after 2010 using scale MP-2018. These are the same rates used for Special Risk Class members in the July 1, 2020 Actuarial Valuation of the Florida Retirement System (FRS).

**NORTH MIAMI POLICE PENSION PLAN**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURNS

Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	7.33%	-8.98%	25.96%	4.94%	0.54%	12.26%	13.20%	8.07%	-0.99%	10.89%

**NORTH MIAMI POLICE PENSION PLAN**  
**SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**  
**(WITH COMPARATIVE INFORMATION FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022)**

	<u>2023</u>	<u>2022</u>
Administrative expenses:		
Bookkeeping, secretarial, and telephone	\$ 136,624	\$ 174,512
Audit and legal services	81,191	48,000
Training	31,672	44,310
Actuarial services	64,194	35,852
Office expenses	34,727	15,615
Performing monitoring	19,478	12,360
Office lease expense	44,477	31,984
Bond insurance	22,394	19,807
Bank fees	-	59
Total administrative expenses	<u>\$ 434,757</u>	<u>\$ 382,499</u>
Investment expenses:		
Investment management fees	\$ 256,434	\$ 614,763
Custodial fees	<u>43,405</u>	<u>40,388</u>
Total investment management fees	<u>\$ 299,839</u>	<u>\$ 655,151</u>

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**COMPLIANCE SECTION**

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**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 and Plan Administrator  
North Miami Police Pension Plan  
North Miami, 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 North Miami Police Pension (the Plan), as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated March 19, 2024.

**Report on 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) as a basis for designing 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 Plan'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-01 and 2023-01 that we consider to be significant deficiencies.

**Report on 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 grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

**Plan's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Plan's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Plan's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Caballero Fierman Llerena & Garcia, LLP*

Miami, Florida  
March 19, 2024

**NORTH MIAMI POLICE PENSION PLAN**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**SEPTEMBER 30, 2023**

**PRIOR YEAR COMMENTS AND STATUS**

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2023 schedule of findings and responses:

Matters that are modified and repeated in the accompanying schedule of findings and responses:

- 2022-02 Bank/Investment Reconciliation

Matters that are not repeated in the accompanying schedule of findings and responses:

- 2022-01 Death Check Process

**NORTH MIAMI POLICE PENSION PLAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SEPTEMBER 30, 2023**

**SIGNIFICANT DEFICIENCY**

**2022-02 Bank/Investment Reconciliation**

**Criteria:**

Based on best practices, investment reconciliations are preferably prepared and reviewed within 30 days from the period end with the appropriate sign off as evidence of the completeness, the accuracy, and timeliness of the reconciliation. Properly reviewed investment reconciliations reduce the risk of errors, fraud, or possible misappropriations of assets.

**Condition:**

During the performance of our fieldwork procedures and discussion with the plan administrator, CFLG noted the Plan does not prepare monthly investment reconciliations for its investment account and lack of bank reconciliations timely review.

**Cause:**

Insufficient controls in place to ensure that investment reconciliations are prepared and monthly reviewed.

**Effect:**

Delays in the review/approval of the reconciliations can have a detrimental effect on the Plans contribution and benefit payments as a result of fraudulent activity to the accounts and misuse of funds. Timely preparation and review of account reconciliations can alert the Plan of unrecorded transactions and missed contributions towards the Plan.

**Recommendation:**

CFLG recommends the Plan implement internal controls associated with the preparation and review of investment reconciliations to ensure this process is completed within 30 days subsequent to the month end to ensure the accuracy and completeness of cash balances reported.

**Views of responsible official and planned corrective actions:**

North Miami Police plan acknowledges that their practices did not meet the recommended monthly reconciliation requirements for the 2022-2023 fiscal year. Immediate action has been taken to address and rectify this situation. The organization has engaged the services of Jeanne Kennedy, Bookkeeping, who will handle the preparation of the monthly reconciliations and Angela Reyes, CFO for the City of North Miami, to review the monthly reconciliations. The organization is confident that this arrangement will ensure the timely and accurate preparation of investment reconciliations.

**2023-01 Lack of Payroll Processing**

**Criteria:**

Based on best practices, the review and approval process of payroll should not be performed by the same individual. Proper implementation of segregation of duties satisfying the payroll process will reduce the risk of errors, fraud, or possible misappropriations of assets.

**Condition:**

During the performance of our audit planning procedures for the fiscal year ended September 30, 2023, CFLG identified payroll is processed and reviewed by the plan administrator.

**Cause:**

Insufficient controls in place to ensure the payroll transactions are processed by one individual and reviewed/approved by another individual to ensure accuracy.

**NORTH MIAMI POLICE PENSION PLAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SEPTEMBER 30, 2023**

**2023-01 Lack of Payroll Processing (Continued)**

**Effect:**

Without proper review of payroll transactions, the Plan could be exposed to misuse of funds, fraud, or material misstatements due to improper recording of payroll transactions.

**Recommendation:**

CFLG recommends the Plan implement effective internal controls to mitigate the risks mentioned above. Internal controls should ensure proper segregation of duties between processing and review/approval of payroll.

**Views of responsible official and planned corrective actions:**

We recognize the importance of this discovery, given that inadequate scrutiny of payroll transactions may leave the Plan vulnerable to various risks, including fund misappropriation, fraudulent activities, or inaccuracies stemming from improper recording of payroll transactions.

In light of CFLG's suggestion, the North Miami Police Pension Plan has proactively instituted robust internal controls to address the aforementioned risks. Notably, we've ensured a clear segregation of duties between payroll processing and review/approval, with the specific responsibility assigned to the Assistant pension administrator. It's noteworthy that there was no Assistant Pension administrator for a duration of 10 months during the 2023 fiscal year.