

**CITY OF AVENTURA POLICE OFFICERS'  
RETIREMENT PLAN**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

YEAR ENDED SEPTEMBER 30, 2019

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	8
Statement of Changes in Fiduciary Net Position	9
Notes to Financial Statements	10-20
SUPPLEMENTARY INFORMATION	
Schedule of Administrative Expenses	22
Schedules of Contributions from Employer and Other Contributors	23
Schedule of Investment Returns	24
Schedules of Changes in the Employer's Net Pension Liability and Related Ratios	25-26
COMPLIANCE REPORT	
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	28-29

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DE LA TORRE · TARABOULOS  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
City of Aventura Police Officers' Retirement Plan

We have audited the accompanying financial statements of the City of Aventura Police Officers' Retirement Plan, which comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United 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 audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Aventura Police Officers' Retirement Plan as of September 30, 2019, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**INDEPENDENT AUDITOR'S REPORT** (Continued)

**Other Matters**

*Prior Year Comparative Information*

We have previously audited the City of Aventura Police Officers' Retirement Plan's 2018 financial statements, and our report dated February 27, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, 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 on pages 4-7 and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 23-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of administrative expenses is presented for 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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**INDEPENDENT AUDITOR'S REPORT** (Continued)

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report, dated February 21, 2020, on our consideration of the City of Aventura Police Officers' Retirement 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 City of Aventura Police Officers' Retirement 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 City of Aventura Police Officers' Retirement Plan's internal control over financial reporting and compliance.

*KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & Co.*

Miami, Florida  
February 21, 2020

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management's Discussion and Analysis (MD&A) of the City of Aventura Police Officers' Retirement Plan's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2019. Please read it in conjunction with the Plan's financial statements, which immediately follow.

### *Overview of the Financial Statements*

The financial section of this annual report consists of four parts: the MD&A, the basic financial statements, notes to the financial statements and other required supplementary information.

The financial statements provide both long-term and short-term information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplemental information that further explain and support the information in the financial statements.

The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the statement of changes in fiduciary net position. All assets and liabilities associated with the operation of the Plan are included in the statement of fiduciary net position.

The statement of fiduciary net position reports fiduciary net position and how it has changed. A net asset is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan.

The Plan was first established on October 1, 2003 to provide retirement, disability and death benefits for the police officers of the City of Aventura, Florida (the City), as defined in Chapter 36, Article II, Section 36-21 of the City Ordinance, which is amended from time to time. The City is the Plan Sponsor of the Plan. There is a Board of Trustees (the Board) in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

### *Financial Highlights*

The Plan's net results from operations for fiscal year 2019 reflected the following financial activities:

- Total net position restricted for pensions was \$49,295,037, which was 7% greater than 2018 total net position restricted for pensions.
- Total contributions were \$2,989,642, which was 3% greater than the 2018 contributions. For the fiscal year ended September 30, 2019, employer and employee contributions were 22.200% and 10.775% of compensation, respectively.
- Total interest and dividend earnings were \$1,131,818, which was 32% greater than the 2018 earnings.
- Net investment income was \$745,784, which was 79% less than the 2018 investment income.
- Benefits paid directly to retirees were \$703,759, which was 2% greater than the benefits paid directly to retirees during 2018.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Statement of Fiduciary Net Position*

The following condensed comparative statement of fiduciary net position is a snap shot of account balances at the fiscal year end of the Plan. 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 asset value, or assets minus liabilities, represents the value of assets held in trust for Plan benefits.

The Plan continues to be evaluated for actuarial soundness by the actuary of the Plan. It should be noted that Plan funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Net position restricted for pensions at September 30, 2019 was \$49,295,037, a 7% increase from net position restricted for pensions at September 30, 2018.
- Total investments at September 30, 2019 were \$49,379,040, a 9% increase from the investments at September 30, 2018.

	2019	2018	% Change
Receivables	152,085	1,197,597	(87%)
Investments, at fair value	49,379,040	45,201,081	9%
Other assets	60,787	67,080	(9%)
Total assets	49,591,912	46,465,758	7%
Accounts payable	16,588	5,211	218%
Accounts payable - purchase of investments	109,918	124,305	(12%)
City excess contribution	170,369	68,845	147%
Total liabilities	296,875	198,361	50%
Net position restricted for pensions	\$ 49,295,037	\$ 46,267,397	7%

### *Statement of Changes in Fiduciary Net Position*

The statement of changes in fiduciary net position presents the effect of Plan transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the Plan equal net increase or decrease in fiduciary net position.

The funding objective is to meet long-term obligations and fund all Plan benefits.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Statement of Changes in Fiduciary Net Position* (Continued)

- Revenues (additions to the fiduciary net position) for the Plan were \$3,820,522, which was made up of total contributions of \$2,989,642 plus net investment income of \$745,784 and other income of \$85,096.
- Expenses (deductions from the fiduciary net position) increased from \$756,007 during 2018 to \$792,882 during 2019.

	2019	2018	% Change
Total contributions	\$ 2,989,642	\$ 2,907,834	3%
Net investment income	745,784	3,507,250	(79%)
Other income	85,096	5,614	1,416%
Total additions	3,820,522	6,420,698	(40%)
Total deductions	792,882	756,007	5%
Net increase	3,027,640	5,664,691	(47%)
Net position restricted for pensions – beginning	46,267,397	40,602,706	14%
Net position restricted for pensions – ending	\$ 49,295,037	\$ 46,267,397	7%

### *Asset Allocation*

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2019:

Type of Investment	Investment Policy	Actual Allocation
Domestic equities	43.75% to 66.25%	53%
International equities	7.5% to 12.5% *	16%
Fixed income	17.5% to 22.5%	19%
Real estate	0% to 10%	5%
Hedge funds	0% to 15%	2%
Cash and cash equivalents	minimum	5%

\* The 7.5% to 12.5% range shown for international equities is specific to the international manager allocation. Domestic equity managers are permitted to hold positions in international securities within their portfolios as long as the overall allocation to international securities does not exceed 25% of the Plan's total portfolio, per the Investment Policy Statement. As of September 30, 2019, the international manager allocation was within the range as defined.

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control the risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

The Board recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's financial condition enables the Board to adopt a long-term investment perspective.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Investment Activities*

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making Plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report, on a quarterly basis, compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement, in effect for fiscal year ended September 30, 2019, was last amended on November 15, 2018.

The Board and its investment consultant review portfolio performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

### *Financial Analysis Summary*

The investment activities, for the fiscal year ended September 30, 2019, are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

### *Contacting the Plan's Financial Management*

This financial analysis is designed to provide the Board, Plan participants and the marketplace 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 you need additional financial information, please contact the administrator of the Plan:

Benefits USA, Inc.  
c/o City of Aventura Police Officers' Retirement Plan  
3810 Inverrary Boulevard, Suite 302  
Lauderhill, FL 33319

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>RECEIVABLES:</b>		
Accounts receivable - sale of investments	\$ 43,113	\$ 642,402
State contribution receivable	-	435,103
Accrued investment income	<u>108,972</u>	<u>120,092</u>
<b>TOTAL RECEIVABLES</b>	<u>152,085</u>	<u>1,197,597</u>
<b>INVESTMENTS, AT FAIR VALUE:</b>		
Equity securities	33,566,842	31,532,098
Government securities	5,793,563	5,450,449
Corporate bonds	3,769,051	3,884,916
Real estate fund	2,302,490	1,567,795
Money market funds	2,450,912	1,396,658
Hedge funds	978,829	1,369,165
Self-directed DROP account	<u>517,353</u>	<u>-</u>
<b>TOTAL INVESTMENTS, AT FAIR VALUE</b>	<u>49,379,040</u>	<u>45,201,081</u>
<b>OTHER ASSETS</b>	<u>60,787</u>	<u>67,080</u>
<b>TOTAL ASSETS</b>	<u>49,591,912</u>	<u>46,465,758</u>
<b>LIABILITIES</b>		
<b>ACCOUNTS PAYABLE</b>	16,588	5,211
<b>ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS</b>	109,918	124,305
<b>CITY EXCESS CONTRIBUTION</b>	<u>170,369</u>	<u>68,845</u>
<b>TOTAL LIABILITIES</b>	<u>296,875</u>	<u>198,361</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
<b>NET POSITION RESTRICTED FOR DEFINED BENEFITS</b>	48,777,684	46,267,397
<b>NET POSITION RESTRICTED FOR DROP BENEFITS</b>	<u>517,353</u>	<u>-</u>
<b>TOTAL NET POSITION RESTRICTED FOR PENSIONS</b>	<u>\$ 49,295,037</u>	<u>\$ 46,267,397</u>

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

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>ADDITIONS:</b>		
Contributions:		
City	\$ 1,450,355	\$ 1,516,119
Employee	934,005	956,612
Buyback	131,242	-
Florida Chapter 185	474,040	435,103
Total contributions	<u>2,989,642</u>	<u>2,907,834</u>
Investment income:		
Net (depreciation) appreciation in fair value of investments	(13,133)	2,998,475
Interest and dividend income	<u>1,131,818</u>	<u>857,077</u>
Total investment income	1,118,685	3,855,552
Less: investment expenses	<u>372,901</u>	<u>348,302</u>
Net investment income	<u>745,784</u>	<u>3,507,250</u>
Other income	<u>85,096</u>	<u>5,614</u>
<b>TOTAL ADDITIONS</b>	<u><u>3,820,522</u></u>	<u><u>6,420,698</u></u>
<b>DEDUCTIONS:</b>		
Benefits paid directly to retirees	703,759	687,155
Administrative expenses	<u>89,123</u>	<u>68,852</u>
<b>TOTAL DEDUCTIONS</b>	<u><u>792,882</u></u>	<u><u>756,007</u></u>
<b>NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS</b>	3,027,640	5,664,691
<b>NET POSITION RESTRICTED FOR PENSIONS - BEGINNING</b>	<u>46,267,397</u>	<u>40,602,706</u>
<b>NET POSITION RESTRICTED FOR PENSIONS - ENDING</b>	<u><u>\$ 49,295,037</u></u>	<u><u>\$ 46,267,397</u></u>

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

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investment Valuation and Income Recognition*

Investments are reported at fair value (see Note 3). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (see Note 5 for discussion of fair value measurements).

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

#### *Basis of Accounting and Use of Estimates*

The accompanying financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### *Comparative Information*

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail, in the notes to financial statements, to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the year ended September 30, 2019, from which the information was derived.

### NOTE 2. DESCRIPTION OF THE PLAN

The following description of the City of Aventura Police Officer's Retirement Plan (the Plan) provides only general information. Participants should refer to the City's ordinance for more detailed and comprehensive information.

#### *General*

The Plan is a single-employer defined benefit retirement plan covering all eligible police officers. The Plan was established by the City in accordance with a City ordinance and state statutes.

Management of the Plan is vested in the Board, which consists of five members; two of whom shall be legal residents of the City and who shall be appointed by the City Commission from a list provided by the City Manager. Two members of the Board shall be police officers elected by a majority of the police officers who are active participants of the Plan. A fifth member of the Board shall be chosen by a majority of the other four Trustees, and such person's name shall be submitted to the City Commission for appointment. The City Commission shall appoint the fifth member selected by the other four Trustees as a ministerial duty.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

(Continued)

### NOTE 2. DESCRIPTION OF THE PLAN (Continued)

#### *Plan Membership*

At September 30, 2019, Plan membership consisted of the following:

Active Plan participants	90
Inactive Plan participants or beneficiaries	
currently receiving benefits	<u>17</u>
Total	<u>107</u>

#### *Eligibility*

The Plan is open solely to active police officers of the City.

#### *Benefits*

##### ➤ *Normal Retirement*

A participant is eligible for normal retirement upon the earlier of age 55 with 10 years of credited service or completion of 25 years of credited service, regardless of age. For the first 40 years of service, the monthly benefit received will be 3% of final monthly compensation multiplied by the number of years of service, to a maximum of 80%. Years credited beyond 40 will be taken into account at 2% of final compensation per year.

##### ➤ *Early Retirement*

An early retirement benefit may be received upon attainment of age 45 with 10 years of credited service. The benefit may be received either on a deferred basis or on an immediate basis. On an immediate basis, the benefit amount will be the normal retirement benefit reduced by 3% per year for each year by which the retirement date precedes the normal retirement date. On a deferred basis, the benefit amount will be the same as the normal retirement benefit except that the final compensation and credited service will be based upon the early retirement date.

##### ➤ *Disability Retirement*

Participants who become disabled due to service-incurred injuries, which arise out of performance of service with the City, will receive a monthly benefit amount equal to the participant's accrued benefit but not less than 42% of the participant's final monthly compensation as of the date of disability, offset by any other payments, such as worker's compensation. Participants who become disabled due to non-service-incurred injuries, which do not arise out of performance of service with the City, and who have completed at least ten years of service, will receive a monthly benefit amount equal to 3% of final monthly compensation for each year of credited service, but not less than 30%.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

### NOTE 2. DESCRIPTION OF THE PLAN (Continued)

#### ➤ *Deferred Retirement Option Plan (DROP)*

Effective October 1, 2018, a deferred retirement option plan ("DROP") was created for the Plan. A member will be eligible to enter the DROP on the earlier of the first day that he/she is eligible for service retirement as defined by Ordinance No. 2019-12, section 36-26(b)(ii) or delayed retirement as defined in section 36-26(b)(iii) but with at least 11 years of credited service and attainment of age 57. Upon entering the DROP, a member will no longer accrue credited service or additional pension benefits and will no longer make employee contributions to the Plan. Instead, the amount of the monthly pension benefit for the benefit option selected by the member will be credited to the member's DROP account.

The maximum period that a member may participate in the DROP is 5 years. After the maximum period of DROP participation, the member must terminate from employment as a City police officer. DROP participation must begin by the earlier of the date on which a member reaches 25 years of service or the date on which a member reaches age 57 with 11 years of service. A member may elect to enter the DROP after the foregoing dates, but his/her maximum participation in the DROP will be reduced by the period of time in which the member delayed entry in the DROP after reaching either of the foregoing maximum DROP entry deadlines.

The member's DROP account will be self-directed by the member to mutual funds selected by the Board from among those offered by a vendor selected by the Board. The available mutual funds and the vendor may be changed from time to time by the Board. Members will be solely responsible for the gains and losses of their individual self-directed DROP accounts.

Members who elect to participate in the DROP shall be required to separate from city service at the conclusion of the DROP period. A member's DROP shall be distributed to the member in a lump sum, rollover, or a combination of both, as soon as administratively practicable and not more than 90 days following the conclusion of the DROP period or approval of the distribution by the Board, whichever occurs last.

Neither the City, the Plan, nor its Board shall have any liability or responsibility to guarantee the principal and/ or rate of return for a member's DROP assets. The DROP accounts, although self-directed separate accounts, will remain part of the pension trust, and distributions from a member's account shall not be permitted until termination of employment.

#### ➤ *Funding*

Effective October 1, 2015, participants were required to contribute 10.775% of the annual covered salary. During 2019, the City and State are required to contribute 17.117% and 5.083%, respectively, of covered payroll. Consistent with the requirements of Sections 112.66 and 185.07 of the Florida Statutes, the City is required to contribute an amount necessary to maintain the Plan on an actuarially sound basis. Contribution requirements of the Plan participants and the City are established and may be changed by an amendment of the City ordinance. The costs of administering the Plan are paid out of contributions to the Plan.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

### NOTE 2. DESCRIPTION OF THE PLAN (Continued)

➤ **Rate of Return**

For the year ended September 30, 2019, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 1.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### NOTE 3. INVESTMENTS

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The investment policy statement in effect for fiscal year ended September 30, 2019 was last amended on November 15, 2018.

The following was the Board's adopted asset allocation policy as of September 30, 2019:

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equities	43.75% to 66.25%
International equities	7.5% to 12.5%
Fixed income	17.5% to 22.5%
Real estate	0% to 10%
Hedge funds	0% to 15%
Cash and cash equivalents	minimum

During the year ended September 30, 2019, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$13,133 (reported as net depreciation in fair value of investments in the statement of changes in fiduciary net position) as follows:

Government securities	\$ 258,219
Corporate bonds	119,960
Hedge funds	63,124
Common stock	(284,756)
Real estate funds	(169,680)
Total	<u><u>\$ (13,133)</u></u>

The term "interest rate risk" refers to the portfolio's exposure to fair value losses arising from increasing interest rates. Interest rate risk disclosures are required for all debt investments, as well as investments in mutual funds, external investment pools and other pooled investments that do not meet the definition of a 2a7-like pool.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

### NOTE 3. INVESTMENTS (Continued)

The Plan's investment policy does not currently set a parameter on the duration of its fixed income securities. However, the information as to the weighted average maturity of its fixed income portfolio is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
U.S. treasuries	\$ 4,982,941	-	\$ 3,043,108	\$ 1,939,833
Corporate bonds	3,769,051	-	3,275,360	493,691
U.S. agencies	810,622	-	248,583	562,039
Totals	<u>\$ 9,562,614</u>	<u>\$ -</u>	<u>\$ 6,567,051</u>	<u>\$ 2,995,563</u>

The term "credit risk" is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Pursuant to City Ordinance 36-25(c)(4), the Plan limits its credit risk by limiting its fixed income investments to securities with the top 4 ratings issued by nationally recognized statistical rating organizations. The Plan's corporate bonds and commercial paper were rated by Moody's Investors Services as follows:

<u>Rating</u>	<u>Fair Value</u>
A1	766,775
A2	611,487
A3	130,029
Aa2	126,404
Aa3	125,697
AAA	3,850,214
Unrated	3,952,008
Total	<u>\$ 9,562,614</u>

The Plan limits investments with any one issuer to no more than 5% of fiduciary net position, other than those issued by the U.S. Government or its Agencies. More than 5% of the Plan's fiduciary net position is invested in debt securities issued by the United States Treasury.

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars and the carrying value of foreign investments. American Depository Receipts (ADRs) are non-U.S. equity instruments that are issued in U.S. dollars and have no foreign currency risk and therefore, not included. The total of investments in foreign securities, which consist of ADR's and foreign bonds, was \$8,030,482. The investment policy limits the foreign investments to no more than 12.5% of the Plan's investment balance. As of year-end, the foreign investments were over the investment policy limits at approximately 16% of total investments.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

### **NOTE 4. 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 that such changes could materially affect the amounts reported in the statement of fiduciary net position available for benefits.

Plan contributions are made and the actuarial present value of accumulated Plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

### **NOTE 5. FAIR VALUE MEASUREMENTS**

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 with 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 as follows:

Level 1- Inputs to the valuation methodology are based upon quoted prices for identical assets in active markets.

Level 2- Inputs to the valuation methodology are based upon 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- Inputs to the valuation methodology are based upon unobservable inputs.

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# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

### NOTE 5. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for asset measured at fair value.

Common stock: Valued at the closing price reported on the New York Stock Exchange.

Government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yield of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote, if available.

Mutual funds: Valued at the daily closing price as reported by the Plan. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Hedge funds: Value based on the net asset value per share, without further adjustment. Net asset value is based upon the fair value of the underlying investment.

Real estate fund: Valued at the net asset value of shares held by the Plan at year end. The Plan has investments in private market real estate investments for which no liquid public market exists.

Money market funds: Valued at the floating net asset value of shares held by the Plan at year end.

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# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

(Continued)

### NOTE 5. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2019:

	<u>Total</u>	Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$ 29,872,566	\$ 29,872,566	\$ -	\$ -
Equity mutual funds	<u>3,694,276</u>	<u>3,694,276</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>33,566,842</u>	<u>33,566,842</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. treasury securities	4,982,941	4,982,941	-	-
Corporate bonds	3,769,051	-	3,769,051	-
U.S. agency securities	<u>810,622</u>	<u>-</u>	<u>810,622</u>	<u>-</u>
Total debt securities	<u>9,562,614</u>	<u>4,982,941</u>	<u>4,579,673</u>	<u>-</u>
Self directed DROP accounts	<u>517,353</u>	<u>-</u>	<u>517,353</u>	<u>-</u>
Total investments by fair value level	<u>\$ 43,646,809</u>	<u>\$ 38,549,783</u>	<u>\$ 5,097,026</u>	<u>\$ -</u>
<u>Investments measured at the Net Asset Value (NAV) <sup>(a)</sup></u>				
Hedge funds	978,829			
Real estate fund	<u>2,302,490</u>			
Total investments measured at the NAV	<u>3,281,319</u>			
Money market funds (exempt)	<u>2,450,912</u>			
Total investments	<u>\$ 49,379,040</u>			

(a) As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the Statement of Fiduciary Net Position.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

### NOTE 5. FAIR VALUE MEASUREMENTS (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:

<u>Investments measured at the NAV</u>	Redemption			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Hedge fund <sup>(1)</sup>	\$ 35,639	\$ -	Quarterly	90 Days
Hedge fund <sup>(1)</sup>	35,612	-	Quarterly	90 Days
Hedge fund <sup>(2)</sup>	907,578	-	Quarterly	95 Days
Real estate fund <sup>(3)</sup>	<u>2,302,490</u>	<u>-</u>	Quarterly	65 Days
Total investments measured at the NAV	<u>\$ 3,281,319</u>	<u>\$ -</u>		

- (1) Hedge fund: The fund is a multi-strategy fund of hedge funds that aims to pursue varying strategies in order to diversify risk and reduce volatility. The fund is a diversified portfolio offering investment solutions through activist long/short equity, credit/special situations, event driven and arbitrage, global long/short equity and other opportunistic situations. The investment is valued at NAV and is redeemable on a quarterly basis.
- (2) Hedge fund: The fund is a diversified portfolio of relative value and event driven hedge funds with a focus on credit strategies. The fund seeks to invest with managers that demonstrate limited exposure to eight key sources of risk, including market risks (equities, interest rates, currencies, commodities, and unsecured credit) and trading risks (excessive leverage, asset/liability mismatch, and high concentration). The investment is valued at NAV and is redeemable on a quarterly basis.
- (3) Real estate fund: The fund is an open-end core real estate fund with a diversified portfolio of income producing properties located throughout the United States. The investment is valued at NAV and is redeemable on a quarterly basis.

### NOTE 6. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the Plan, at September 30, 2019, were as follows:

Total pension liability	\$ 59,444,729
Plan fiduciary net	<u>49,476,144</u>
City's net pension	<u>\$ 9,968,585</u>
Plan fiduciary net position as a percentage of the total pension liability	83.23%

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

(Continued)

**NOTE 6. NET PENSION LIABILITY OF THE PLAN (Continued)**

The total pension liability was determined by an actuarial valuation, as of October 1, 2019 using the following most significant actuarial assumptions: 7.25% for the investment rate of return and discount rate, 5.0% for projected salary increases and 2.3% for inflation.

*Mortality Rate Healthy Active Lives:*

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.

Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

*Mortality Rate Healthy Inactive Lives:*

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

*Mortality Rate Disabled Lives:*

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The Long-Term Expected Rate of Return on Pension Plan investments can be 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 geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term expected real rate of return</u>
Large Cap Value Equity	7.00%
Large Cap Growth Equity	6.70%
Large Cap Core Equity	6.85%
Small Cap Value Equity	7.80%
Small/Mid Cap Growth Equity	7.20%
International Value Equity	6.70%
International Growth Equity	6.70%
Hedge Funds (FOF)	3.84%
Private Real Estate	6.40%
Core Fixed Income	2.00%

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

(Continued)

**NOTE 6. NET PENSION LIABILITY OF THE PLAN (Continued)**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that Plan participant 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 participant 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 participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total Plan liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the Plan was calculated using the discount rate of 7.25%. It was also calculated using a discount rate that was 1-percentage-point lower (6.25%) and 1-percentage-point higher (8.25%) and the different computations were compared.

	1% decrease	Current discount rate	1% increase
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
Net pension liability	\$ 18,109,363	\$ 9,968,585	\$ 3,342,973

**NOTE 7. INCOME TAXES**

The Plan is exempt from federal income taxes under the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

On October 17, 2014, the Plan obtained its most recent determination letter in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with applicable requirements of Internal Revenue Code 401(a), and therefore, no provision for federal income taxes has been made.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**NOTE 8. SUBSEQUENT EVENTS**

Management has evaluated subsequent events for the Plan through February 21, 2020, the date that the financial statements were available to be issued.

**CITY OF AVENTURA POLICE OFFICERS'  
RETIREMENT PLAN**

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>ADMINISTRATIVE EXPENSES:</b>		
Meetings and conventions	\$ 25,594	\$ 13,907
Actuarial	17,883	8,588
Administrative fees	14,400	14,400
Audit	10,802	10,434
Legal	10,800	10,800
Insurance	9,044	10,123
Dues and subscriptions	600	600
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u>\$ 89,123</u>	<u>\$ 68,852</u>

The accompanying independent auditor's report should be read with this supplementary schedule.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined employer contribution	\$ 1,924,394	\$ 1,951,222	\$ 1,826,049	\$ 1,698,166	\$ 1,830,896
Actual employer contribution	<u>2,025,920</u>	<u>2,024,543</u>	<u>1,836,262</u>	<u>1,644,823</u>	<u>1,860,998</u>
Annual contribution deficiency (excess)	<u>\$ (101,526)</u>	<u>\$ (73,321)</u>	<u>\$ (10,213)</u>	<u>\$ 53,343</u>	<u>\$ (30,102)</u>
Covered-employee payroll	<u>\$ 8,668,447</u>	<u>\$ 8,878,068</u>	<u>\$ 8,741,677</u>	<u>\$ 8,129,475</u>	<u>\$ 8,047,155</u>
Actual contributions as a percentage of covered-employee payroll	23.37%	22.80%	21.01%	20.23%	23.13%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined employer contribution	\$ 1,828,554	\$ 1,959,557	\$ 1,923,697	\$ 1,895,968	\$ 1,530,134
Actual employer contribution	<u>1,866,983</u>	<u>1,959,557</u>	<u>1,923,697</u>	<u>1,895,968</u>	<u>1,605,048</u>
Annual contribution deficiency (excess)	<u>\$ (38,429)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (74,914)</u>
Covered-employee payroll	<u>\$ 7,986,695</u>	<u>\$ 7,810,732</u>	<u>\$ 7,663,687</u>	<u>N/A</u>	<u>N/A</u>
Actual contributions as a percentage of covered-employee payroll	23.38%	25.09%	25.10%	N/A	N/A

Actuarial cost method	Entry Age Normal Actuarial Cost Method
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.50%
Retirement age	Earlier of age 57 and 10 years of credited service, or upon completion of 25 years of credited service, regardless of age. Additionally, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
Mortality	<i>Healthy Lives:</i> Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP 2000 Generational, 10% Annuitant White Collar/90% Annuitant Blue Collar, Scale BB. <i>Disabled Lives:</i> Female: 60% RP 2000 Disabled Female set forward two years/40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years/40% Annuitant White Collar with no setback, no projection scale.

The accompanying independent auditor's report should be read with this supplementary schedule.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

<u>Year Ended</u> <u>September 30,</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2019	1.68%
2018	8.60%
2017	11.97%
2016	7.00%
2015	(1.83%)
2014	8.87%
2013	11.44%
2012	16.20%
2011	(0.48%)
2010	9.27%

The accompanying independent auditor's report should be read with this supplementary schedule.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL PENSION LIABILITY:</b>			
Service cost	\$ 2,107,436	\$ 1,960,406	\$ 1,946,501
Interest	4,033,828	3,627,275	3,279,516
Benefit changes	-	1,173,788	-
Difference between actual and expected experience	-	(794,007)	-
Changes of assumptions	-	1,856,302	-
Contributions - Buybacks	121,590	-	-
Benefit payments, including refunds of employee	<u>(699,399)</u>	<u>(691,515)</u>	<u>(514,739)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	5,563,455	7,132,249	4,711,278
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<u>53,881,274</u>	<u>46,749,025</u>	<u>42,037,747</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<u>\$ 59,444,729</u>	<u>\$ 53,881,274</u>	<u>\$ 46,749,025</u>
<b>PLAN FIDUCIARY NET POSITION:</b>			
Contributions - Employer	\$ 2,025,920	\$ 2,024,543	\$ 1,836,262
Contributions - Member	943,658	956,612	941,916
Contributions - Buybacks	121,590	-	-
Net investment income (loss)	837,503	3,511,042	4,262,504
Benefit payments, including refunds of employee contributions	(699,399)	(691,515)	(514,739)
Administrative expenses	<u>(84,711)</u>	<u>(71,805)</u>	<u>(74,636)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	3,144,561	5,728,877	6,451,307
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<u>46,331,583</u>	<u>40,602,706</u>	<u>34,151,399</u>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<u>49,476,144</u>	<u>46,331,583</u>	<u>40,602,706</u>
<b>NET PENSION LIABILITY - ENDING</b>	<u>\$ 9,968,585</u>	<u>\$ 7,549,691</u>	<u>\$ 6,146,319</u>
<b>PLAN FIDUCIARY NET POSITION AS A OF TOTAL PENSION LIABILITY</b>	83.23%	85.99%	86.85%
<b>COVERED EMPLOYEE PAYROLL</b>	\$ 8,668,447	\$ 8,878,068	\$ 8,741,677
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL</b>	115.00%	85.04%	70.31%

*This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.*

The accompanying independent auditor's report should be read with this supplementary schedule.

# CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN

## SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED) (Continued)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY:</b>			
Service cost	\$ 1,810,699	\$ 1,896,180	\$ 1,732,252
Interest	2,931,936	2,727,885	2,238,129
Benefit changes	-	2,797,541	-
Difference between actual and expected experience	(1,226,574)	(1,326,392)	-
Changes of assumptions	1,534,188	-	-
Contributions - Buybacks	-	-	-
Benefit payments, including refunds of employee	<u>(588,554)</u>	<u>(394,472)</u>	<u>(409,085)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	4,461,695	5,700,742	3,561,296
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<u>37,576,052</u>	<u>31,875,310</u>	<u>28,314,014</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<u>\$ 42,037,747</u>	<u>\$ 37,576,052</u>	<u>\$ 31,875,310</u>
<b>PLAN FIDUCIARY NET POSITION:</b>			
Contributions - Employer	\$ 1,644,823	\$ 1,860,997	\$ 1,866,983
Contributions - Member	863,769	541,792	541,099
Contributions - Buybacks	-	-	-
Net investment income (loss)	2,158,517	(614,811)	2,199,131
Benefit payments, including refunds of employee contributions	(588,554)	(394,472)	(409,085)
Administrative expenses	<u>(66,033)</u>	<u>(66,115)</u>	<u>(55,897)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	4,012,522	1,327,391	4,142,231
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<u>30,138,877</u>	<u>28,811,486</u>	<u>24,669,255</u>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<u>34,151,399</u>	<u>30,138,877</u>	<u>28,811,486</u>
<b>NET PENSION LIABILITY - ENDING</b>	<u>\$ 7,886,348</u>	<u>\$ 7,437,175</u>	<u>\$ 3,063,824</u>
<b>PLAN FIDUCIARY NET POSITION AS A OF TOTAL PENSION LIABILITY</b>	81.24%	80.21%	90.39%
<b>COVERED EMPLOYEE PAYROLL</b>	\$ 8,129,475	\$ 8,047,155	\$ 7,986,695
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL</b>	97.01%	92.42%	38.36%

*This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.*

The accompanying independent auditor's report should be read with this supplementary schedule.

**CITY OF AVENTURA POLICE OFFICERS'  
RETIREMENT PLAN**

COMPLIANCE REPORT

SEPTEMBER 30, 2019

KABAT · SCHERTZER  
DE LA TORRE · TARABOULOS  
&  
C O M P A N Y

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

To the Board of Trustees of the  
City of Aventura Police Officers' Retirement Plan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the City of Aventura Police Officers' Retirement Plan, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Aventura Police Officers' Retirement Plan's basic financial statements, and have issued our report thereon dated February 21, 2020.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operations 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

KABAT · SCHERTZER  
DE LA TORRE · TARABOULOS  
&  
C O M P A N Y

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**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** (Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Aventura Police Officers' Retirement 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & Co.*

Miami, Florida  
February 21, 2020