

**CITY OF VENICE, FLORIDA MUNICIPAL
POLICE OFFICERS' PENSION TRUST FUND**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Year Ended September 30, 2019

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
City of Venice, Florida Municipal
Police Officers' Pension Trust Fund
Venice, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Venice, Florida Municipal Police Officers' Pension Trust Fund (the "Plan") as of September 30, 2019, and the related notes to the financial statements, which collectively comprise the Plan's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Board of Trustees
City of Venice, Florida Municipal
Police Officers' Pension Trust Fund

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Plan as of September 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplemental information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2020, 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 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 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.

MSL, P.A.

Certified Public Accountants

Tampa, Florida
April 20, 2020

**CITY OF VENICE, FLORIDA MUNICIPAL
POLICE OFFICERS' PENSION TRUST FUND**

STATEMENT OF PLAN NET POSITION

September 30, 2019

ASSETS

Cash and cash equivalents	<u>\$ 1,236,288</u>
Receivables:	
Interest and dividends	<u>64,428</u>
Investments, Fair Value:	
U.S. Government and Agency obligations	3,079,130
Mortgage-backed obligations	239,162
Domestic equities	20,566,703
Foreign equities mutual fund	3,753,472
Foreign equity securities	309,510
Real estate investment fund	3,740,304
Corporate obligations	<u>4,916,898</u>
	TOTAL INVESTMENTS <u>36,605,179</u>
	TOTAL ASSETS <u>37,905,895</u>
<u>NET POSITION</u>	
	RESTRICTED FOR PENSION BENEFITS <u><u>\$ 37,905,895</u></u>

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

**CITY OF VENICE, FLORIDA MUNICIPAL
POLICE OFFICERS' PENSION TRUST FUND**

STATEMENT OF CHANGES IN PLAN NET POSITION

Year Ended September 30, 2019

Additions:

Contributions:

Employer:

City

State of Florida

Plan members

\$ 1,498,868

220,392

26,716

TOTAL CONTRIBUTIONS 1,745,976

Investment Income:

Net appreciation in fair value of investments

Interest

Dividends

223,919

287,847

577,260

INVESTMENT INCOME 1,089,026

264,854

Less: Investment expenses

NET INVESTMENT INCOME 824,172

TOTAL ADDITIONS, NET 2,570,148

Deductions:

Benefits:

Benefits to participants

Administrative expenses

3,552,978

77,401

TOTAL DEDUCTIONS 3,630,379

CHANGE IN NET POSITION (1,060,231)

Net Position Restricted for Pension Benefits:

Beginning of Year

38,966,126

End of Year

\$ 37,905,895

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

CITY OF VENICE, FLORIDA MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE 1 - DESCRIPTION OF THE PLAN

General

The City of Venice, Florida Municipal Police Officers' Pension Trust Fund (the "Plan") is a defined-benefit, single-employer pension plan covering all full-time and probationary City employees who are certified Police Officers. The Plan is administered by a Board of Trustees (the "Board") and the City of Venice (the "City") in accordance with the City Charter and Part VII, Chapter 112 of the Florida Statutes. The Board consists of five members – two council appointees, two members of the Police Department, and a fifth member elected by the other four members and appointed by the City Council. Effective October 1, 2014, the City elected to join the Florida Retirement System ("FRS") for police officers. Consequently, the City closed the Municipal Police Officers' Pension Trust Fund to new members effective this same date, and all police officers hired on or after October 1, 2014 became members of the FRS in accordance with applicable state law and rules of the Florida Division of Retirement.

Pension Benefits

Under the Plan, any participant who has creditable service of 10 years and has attained age 52, or has completed 25 years of creditable service, is eligible for normal retirement benefits. Subject to limitations, such a retiree would receive a monthly retirement benefit of 3.5% of average final monthly compensation for each year of credited service through September 30, 2014, plus 2.75% of average final compensation times credited service on and after October 1, 2014, plus a supplement of \$175 per month. Average (monthly) final compensation is one-twelfth (1/12) of the average salary of the highest years of service during the last 10 years of credited service prior to retirement, termination, or death. Early retirement provisions are also available for participants who have attained 20 years of creditable service, regardless of age, subject to certain modifications to the benefit paid. There is no early retirement option for members with less than 10 years of credited service as of October 1, 2014. For early retirement, the accrued benefit is reduced 2% for each year preceding the normal retirement date.

Death Benefits – The Plan provides death benefits for both duty-related and off-duty-related deaths. Subject to limitations, the monthly pension benefit of a duty-related death is 62.5% of the participant's monthly salary at the time of death. The monthly pension benefit of an off-duty-related death (with five years of credited service) is 50% of the participant's monthly salary at the time of death. Both duty-related and off-duty-related death benefits are paid to the spouse for life. If there is no surviving spouse, the benefit is paid in equal shares to the surviving children who are under age 18, or who are under age 23 and pursuing a full-time education.

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

Pension Benefits (Continued)

Disability Benefits – The Plan provides disability benefits for both duty-related and off-duty-related disabilities. Subject to limitations, the monthly pension benefit of a duty-related disability is 62.5% of the participant’s monthly salary at the time of disability, plus \$175 per month. The monthly pension benefit of an off-duty-related disability (with five years of credited service) is 50% of the participant’s monthly salary at the time of disability, plus \$175 per month.

DROP Plan Benefits – A Deferred Retirement Option Plan (“DROP”) is provided to members who are age 50 and have 10 years of credited service, or who have 25 years of credited service. To electing participants, the receipt of their service pension, calculated as of the DROP date, is deferred for up to 60 months. A cash, lump-sum payment (options available) is made at termination of employment.

Refund of Contributions – If an employee separates from service from the City before achieving 10 years of credited service, the employee will receive a refund of accumulated contributions.

Participant data as of October 1, 2019, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries:	
Currently receiving benefits	57
Terminated employees entitled to benefits but not yet receiving them	31
Active plan members	<u>5</u>
	<u>93</u>

Contributions

The pension plan document, which is a Special Act of the Florida Legislature, governs the City and employee contribution requirements for the Plan. Effective October 1, 2014, employees are required to contribute 7.0% of their annual covered salary to the Plan. The State of Florida annually contributes the City’s share of insurance fund excise taxes collected. The City’s contribution to the Plan is an actuarially determined, periodic amount, but no less than 12% of total salary. Total required contributions for the City were \$1,713,572 for the year ended September 30, 2019. Administrative costs of the Plan are financed through investment earnings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. City contributions to the Plan, as calculated by the Plan's actuary, are recognized as revenue when due, and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments

Investments of the Plan are held by Salem Trust Company (the "Custodian"), a trust company having trust powers in the State of Florida. The Plan's investment policies are governed by the ordinances of the City of Venice, Florida and Florida Statutes. Investments in the Plan are reported at fair value based on quoted market prices using various third-party pricing sources. Short-term investments are reported at fair value. Those investments that do not have an established market value are reported at estimated fair value. Investment transactions are recognized on the trade date.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less from the date of purchase.

Net Appreciation (Depreciation) in Fair Value of Investments

The Plan presents in the statement of changes in plan net position the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and unrealized appreciation (depreciation) on those investments.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 - INVESTMENTS

As of September 30, 2019, the Plan had the following investments:

	<u>2019 Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Hierarchy Level</u>
Investment by fair value level			
Debt securities			
U.S. Government and Agency obligations	\$ 3,079,130	13.64	1
Mortgage-backed obligations	239,162	13.97	2
Corporate obligations	4,916,898	3.48	2
Total debt securities	<u>8,235,190</u>		
Equity securities			
Domestic equity securities	20,566,703	N/A	1
Foreign equities	3,753,472	N/A	1
Foreign equity securities	309,510	N/A	1
Total equity securities	<u>24,629,685</u>		
Total investment by fair value level	<u>32,864,875</u>		
Investments Measured at the Net Asset Value ("NAV")			
Real estate investment fund	<u>3,740,304</u>	N/A	N/A
Total Investments	<u>\$ 36,605,179</u>		

The real estate investment fund has no unfunded commitments at September 30, 2019. The redemption frequency is quarterly and requires 30 days' notice. This fund is valued at NAV of units held at the end of the period based upon the fair value of the underlying investments.

Fair Value Hierarchy

The Plan's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets.

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs for an asset.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using quoted prices at September 30 (or the most recent market close date if the markets are closed on September 30) in active markets from the custodian bank's external pricing vendor.

NOTE 3 - INVESTMENTS *(Continued)*

Fair Value Hierarchy *(Continued)*

Debt securities classified as Level 2 are evaluated prices from the custodian bank's external pricing vendor. The pricing methodology involves the use of evaluation models, such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices.

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees as necessary. The general objective of the policy is to obtain a reasonable total rate of return commensurate with the Prudent Investor Rule and any other applicable ordinances and statutes. The following was the Plan's adopted asset allocation policy as of September 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	50%
International Equity	15
Broad Market Fixed Income	25
Real Estate	10
<u>Total</u>	<u>100%</u>

Risks and Uncertainties

The Plan invests in a variety of investment instruments. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is 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 financial statements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Through its investment policies, the Plan manages its exposure to fair value losses arising from increasing interest rates. The Plan limits the effective duration of its fixed investment portfolio through the adoption of nationally accepted, risk measure benchmarks.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Consistent with State law, the investment policy of the Plan requires the investments in fixed income securities be limited to a rating of A or better, as rated by one or more recognized bond rating services at the time of purchase. The corporate bonds were rated Aa1 to A3 by Moody's and AA+ to BBB+ by Standard & Poor's at September 30, 2019. The U.S. Agencies were rated Aaa by Moody's and AA+ by Standard & Poor's at September 30, 2019.

NOTE 3 - INVESTMENTS *(Continued)*

Custodial Credit Risk

Custodial credit risk is the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third-party custodian in the name of the Plan. The Plan's investments are held by the Custodian for the City of Venice, Florida Municipal Police Officers' Pension Plan.

Foreign Currency Risk

Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized and unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

Concentration of Credit Risk

The Plan limits investments, as follows: No more than 5% of the Plan's assets can be invested in common or capital stock of any single corporation nor should it exceed 5% of the outstanding common or capital stock of that company. The aggregate of the Plan's investments in common stock, capital stock, or convertible bonds cannot exceed 65% of the cost of the assets of the Plan. No more than 10% of the Plan's assets valued at cost may be invested in foreign securities. The Plan did not hold investments in any one corporation that exceed 5% or more of the Plan's fiduciary net position.

Rate of Return

For the year ended September 30, 2019, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was 2.18%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

NOTE 4 - NET PENSION LIABILITY OF THE CITY

The components of the net pension liability of the City as of September 30, 2019 were as follows (in thousands):

Total pension liability	\$ 43,667,030
Plan fiduciary net position	<u>(37,905,895)</u>
City's net pension liability	<u>\$ 5,761,135</u>
Plan fiduciary net position as a percentage of the total pension liability	86.81%

NOTE 4 - NET PENSION LIABILITY OF THE CITY (Continued)

Actuarial Assumptions

The total pension liability was determined based on a roll-forward of entry age normal liabilities from the October 1, 2018 valuation using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	5.5%-10.0%
Discount rate	7.0%
Investment rate of return	7.0%

The assumed mortality rates in the October 1, 2018 valuation were changed to the assumptions used by the FRS for special risk employees, as required by Chapter 2015-157, Laws of Florida. These are:

Mortality Rate Healthy Lives:

- Female: RP-2000 Generational, 100% Annuitant White Collar, Scale BB.
- Male: RP-2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

- Female: 60% RP-2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.
- Male: 60% RP-2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

Prior actuarial valuations were based on the RP-2000 Combined Healthy assumptions, without projection, sex distinct. Disabled lives were set forward five years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	7.5%
International Equity	8.5%
Broad Market Fixed Income	2.5%
Real Estate	4.5%

NOTE 4 - NET PENSION LIABILITY OF THE CITY (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's net pension liability	\$10,517,962	\$5,761,135	\$1,798,471

NOTE 5 - SUBSEQUENT EVENT

On December 31, 2019, the first cases of what would become the COVID-19 virus were reported in China. Since then, the virus has spread across the globe and has been declared a global pandemic by the World Health Organization. The Plan continues to monitor the situation; however, the impact to the Plan, if any, cannot be determined at this time.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF VENICE, FLORIDA MUNICIPAL
POLICE OFFICERS' PENSION TRUST FUND**

**SCHEDULES OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS (Unaudited)**

Last 6 Fiscal Years

	Years Ended September 30,					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 98,766	\$ 160,319	\$ 196,691	\$ 203,840	\$ 597,047	\$ 560,060
Interest	2,981,724	2,974,942	2,766,512	2,751,065	2,850,130	2,760,145
Changes of benefit terms	-	2,467,573	-	-	174,206	(1,837,786)
Differences between expected and actual experience	(134,263)	495,274	486,909	(1,512,423)	(638,090)	-
Changes of assumptions	-	-	-	1,343,437	3,277,827	-
Contributions - buy back	-	-	-	-	-	17,465
Benefit payments, including refunds of employee contributions	(3,552,978)	(3,391,201)	(2,416,303)	(2,699,899)	(2,240,847)	(2,578,773)
Net Change in Total Pension Liability	(606,751)	2,706,907	1,033,809	86,020	4,020,273	(1,078,889)
Total Pension Liability - Beginning	44,273,781	41,566,874	40,533,065	40,447,045	36,426,772	37,505,661
Total Pension Liability - Ending (a)	\$ 43,667,030 ^(a)	\$ 44,273,781	\$ 41,566,874	\$ 40,533,065	\$ 40,447,045	\$ 36,426,772
Plan Fiduciary Net Position						
Contributions - City	\$ 1,498,868	\$ 1,316,647	\$ 1,337,865	\$ 2,108,231	\$ 1,753,275	\$ 1,651,993
Contributions - State	220,392	231,096	214,704	207,731	189,276	178,617
Contributions - Employee	26,716	28,738	35,922	38,297	40,508	205,801
Contributions - buy back	-	-	-	-	-	17,465
Net investment income	824,172	4,669,947	4,281,059	3,198,703	(1,481,414)	3,307,423
Benefit payments, including refunds of employee contributions	(3,552,978)	(3,391,201)	(2,416,303)	(2,701,886)	(2,240,847)	(2,578,773)
Administrative expense	(77,401)	(69,712)	(60,469)	(83,441)	(73,554)	(62,991)
Net Change in Plan Fiduciary Net Position	(1,060,231)	2,785,515	3,392,778	2,767,635	(1,812,756)	2,719,535
Plan Fiduciary Net Position - Beginning	38,966,126	36,180,611	32,787,833	30,020,198	31,832,954	29,113,419
Plan Fiduciary Net Position - Ending (b)	\$ 37,905,895 ^(b)	\$ 38,966,126	\$ 36,180,611	\$ 32,787,833	\$ 30,020,198	\$ 31,832,954
City's Net Pension Liability - Ending (a) - (b)	\$ 5,761,135	\$ 5,307,655	\$ 5,386,263	\$ 7,745,232	\$ 10,426,847	\$ 4,593,818
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.81%	88.01%	87.04%	80.89%	74.22%	87.39%
Covered-Employee Payroll	\$ 381,654	\$ 410,497	\$ 513,171	\$ 547,100	\$ 761,681	\$ 2,838,631
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	1509.52%	1292.98%	1049.60%	1415.69%	1368.93%	161.83%

**CITY OF VENICE, FLORIDA MUNICIPAL
POLICE OFFICERS' PENSION TRUST FUND**

**SCHEDULES OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS *(Unaudited) (Continued)***

Last 6 Fiscal Years

Notes to Schedule:

Changes of benefit terms:

For the 2018 fiscal year, amounts reported as changes in benefit terms resulted from the following: Effective October 1, 2017, the monthly benefit currently being received by every retiree who has been receiving benefit payments for at least one year as of October 1, 2017, including service and disability retirees and DROP participants, their joint pensioners or beneficiaries, shall be increased by 1% for each full year of retirement, up to a maximum increase of 10%. Eligible retirees must have been retired for at least one full year as of October 1, 2017. This is a one-time increase in benefits and does not include vested, terminated persons.

Changes of assumptions:

For the 2016 fiscal year, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the FRS for special-risk employees. Also, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

For the 2015 fiscal year, amounts reported as changes of assumptions were a result of the following:

- The net-of-fees investment return assumption was lowered from 7.9% to 7.0%.
- The Final Salary Load assumption below was determined based on census data provided by the City Service as of October 1, 2012:
 - 10 or more years - 20.0%
 - More than 1, less than 10 years - 10.0%
 - Less than 1 year - 0.0%

Only six years of information is available. Future years will be reported as available.

**CITY OF VENICE, FLORIDA MUNICIPAL
POLICE OFFICERS' PENSION TRUST FUND**

SCHEDULES OF CITY CONTRIBUTIONS (Unaudited)

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially Determined Contribution	\$ 1,713,572	\$ 1,524,378	\$1,527,141	\$ 2,268,143	\$ 1,942,551	\$ 1,818,711	\$1,933,371	\$1,672,201	\$1,444,492	\$1,154,509
Contributions Related to the										
Actuarially Determined Contribution	<u>1,719,260</u>	<u>1,547,743</u>	<u>1,552,569</u>	<u>2,315,962</u>	<u>1,942,551</u>	<u>1,830,610</u>	<u>1,933,371</u>	<u>1,672,201</u>	<u>1,444,492</u>	<u>1,154,510</u>
Contribution Deficiency (Excess)	<u>\$ (5,688)</u>	<u>\$ (23,365)</u>	<u>\$ (25,428)</u>	<u>\$ (47,819)</u>	<u>\$ -</u>	<u>\$ (11,899)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>
Covered-Employee Payroll	\$ 381,654	\$ 410,497	\$ 513,171	\$ 547,100	\$ 761,681	\$ 2,838,631	\$3,177,273	\$3,276,770	\$3,208,345	\$3,125,995
Contributions as a Percentage of Covered-Employee Payroll	450.48%	377.04%	302.54%	423.32%	255.03%	64.49%	60.85%	51.03%	45.02%	36.93%

Notes to Schedule:

Latest Valuation date: October 1, 2018

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method: Entry Age Normal actuarial cost method
Amortization method: Level percentage of pay, closed
Remaining amortization period: 26 years (as of October 1, 2018)
Asset smoothing methodology: Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric four-year average market value return (net of fees).
Inflation: 2.5% per year
Mortality: Female: RP2000 Generational, 100% annuitant white collar, scale BB.
Male: RP2000 Generational, 10% annuitant white collar, 90% annuitant blue collar, scale BB.
Interest rate: 7.00% per year compounded annually, net of investment related expenses.
Retirement age: Earlier of age 52 and 10 years of service, or 25 years of service regardless of age.
Early retirement: Commencing at the member's eligibility for early retirement (20 years of credited service) members are assumed to retire with an immediate, subsided benefit at a rate of 10%.
Salary increases: Service based as shown below. Projected salary at retirement is increased 20% to account for non-regular compensation.
Payroll growth: None
Cost-of-living adjustment: 3% per year from retirement to age 65. Benefits on credited service after September 30, 2014 are not subject to the COLA.

Salary increases:	<u>Years of Service</u>	<u>% Increase in</u>
	Less than 10	10.00%
	10 or more years	5.50%

* While ten years is presented in this schedule, as required, the disclosures in the Notes to Schedule only cover the last five years. Information for the other years is unavailable.

**CITY OF VENICE, FLORIDA MUNICIPAL
POLICE OFFICERS' PENSION TRUST FUND**

SCHEDULES OF INVESTMENT RETURNS *(Unaudited)*

Last 6 Fiscal Years

	Years Ended September 30,					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.2%	13.1%	13.3%	10.8%	-4.8%	11.6%

Note to Schedule:

Only six years of information is available. Future years will be reported as available.

OTHER REPORT



Certified Public Accountants

**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***

The Board of Trustees
City of Venice, Florida Municipal
Police Officers’ Pension Trust Fund
Venice, 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, as listed in the table of contents, for the City of Venice, Florida Municipal Police Officers’ Pension Trust Fund (the “Plan”) as of and for the year ended September 30, 2019, and have issued our report thereon dated April 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

The Board of Trustees
City of Venice, Florida Municipal
Police Officers' Pension Trust Fund

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of 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.

MSL, P.A.

Certified Public Accountants

Tampa, Florida
April 20, 2020