

# 2021

Consolidated Police Officers' and Firefighters'  
Retirement Plan of the City of Gainesville, Florida  
Financial Statements  
and Independent Auditor's Report

September 30, 2021

**CONSOLIDATED POLICE OFFICERS' AND  
FIREFIGHTERS' RETIREMENT PLAN OF THE  
CITY OF GAINESVILLE, FLORIDA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**SEPTEMBER 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Consolidated Police Officers' and Firefighters'  
Retirement Plan of the City of Gainesville, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the Consolidated Police Officers' and Firefighters' Retirement Plan (the Consolidated Plan), a fiduciary component unit of the City of Gainesville, Florida, which comprise the statement of fiduciary net position as of September 30, 2021, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Consolidated Plan's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Plan 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.

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Board of Trustees  
Consolidated Police Officers' and Firefighters'  
Retirement Plan of the City of Gainesville, Florida

**INDEPENDENT AUDITOR'S REPORT**

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 respective financial position of the Consolidated Plan as of September 30, 2021, and its changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net Pension Liability and Related Ratios; Schedule of Employer Contributions; and Schedule of Investment Returns 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 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



Board of Trustees  
Consolidated Police Officers' and Firefighters'  
Retirement Plan of the City of Gainesville, Florida

## INDEPENDENT AUDITOR'S REPORT

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022, on our consideration of the Consolidated 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 Consolidated 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 Consolidated Plan's internal control over financial reporting and compliance.



September 27, 2022  
Gainesville, Florida

## FINANCIAL STATEMENTS

CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS'  
RETIREMENT PLAN OF THE CITY OF GAINESVILLE, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2021

**Assets**

Cash and cash equivalents	\$ 10,831,273
Due from City of Gainesville	11,770,697
Dividend receivable	107,303
Miscellaneous other assets	17,818
Investments, at fair value	325,498,422

**Total Assets**

348,225,513

**Liabilities**

Accounts payable and accrued liabilities	<u>8,355</u>
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**Net Position Restricted for Pension Benefits**

\$ 348,217,158

See accompanying notes to financial statements.

CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS'  
RETIREMENT PLAN OF THE CITY OF GAINESVILLE, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**Additions**

Contributions	
Employer contributions	\$ 3,586,271
Employee contributions	2,314,580
Total Contributions	<u>5,900,851</u>
Investment income:	
Net appreciation in fair value of investments	62,969,679
Dividends and interest	4,256,195
Total investment income	<u>67,225,874</u>
(Less investment expense)	<u>(979,038)</u>
Net investment income	<u>66,246,836</u>
<b>Total Additions</b>	<u>72,147,687</u>
<b>Deductions</b>	
Benefit payments	20,008,116
Refunds of contributions	215,510
Administrative expenses	625,466
Total Deductions	<u>20,849,092</u>
Change in Net Position	51,298,595
Net Position - Beginning of Year	<u>296,918,563</u>
Net Position - End of Year	<u><u>\$ 348,217,158</u></u>

See accompanying notes to financial statements.

**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Summary of Significant Accounting Policies**

The Consolidated Police Officers' and Firefighters' Retirement Plan (the Consolidated Plan) of the City of Gainesville, Florida is a contributory defined benefit single-employer pension plan that covers City sworn police officers and firefighters. The Consolidated Plan is established under City of Gainesville (the City) Code of Ordinances, Article 7, Chapter 2, Division 8. It complies with the provisions of Chapter 112, Part VII, Florida Statutes; Chapter 22D-1 of the Florida Administrative Code; Chapters 175 and 185, Florida Statutes; and Article X, Section 14 of the Florida Constitution, governing the establishment, operation, and administration of plans.

The accompanying financial statements include the Consolidated Plan, which is reported as a component unit in the City's annual comprehensive financial report.

**Basis of Accounting**

The accompanying financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

**Due from City of Gainesville**

The City maintains an accounting system which centralizes the cash and cash equivalent function for all of the City's funds. The Consolidated Plan's "share" of these pooled cash and cash equivalents is included as due from City of Gainesville on the accompanying Statement of Fiduciary Net Position, as those funds are not deposited in the Consolidated Plan's Trust Fund.

**Note 2 - Plan Description**

**Plan Board**

The Board of Trustees of the Consolidated Plan is composed of five individuals. Two are appointed by the City Commission, one police officer is elected by active police members, one firefighter is elected by active fire members and a fifth member selected by the other four trustees and confirmed by the City Commission through a ministerial function. This Consolidated Plan and any amendments were adopted through a City Ordinance by the Commission of the City of Gainesville in accordance with Florida Statutes. The Board of Trustees approves plan amendments.

**Plan Membership**

As of October 1, 2020, Consolidated Plan membership consisted of the following:

**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

Active plan members	410
Inactive plan members:	
Retirees and beneficiaries currently receiving benefits	469
Retirees and beneficiaries entitled to, but not yet receiving benefits	39
<b>Total</b>	<u><u>918</u></u>

In order to become a member of the Consolidated Plan, a person must be employed by the City on a full-time basis as a certified firefighter or law enforcement officer. An otherwise eligible employee may elect to have future City contributions made to International City/County Management Association's defined contribution plan in lieu of continuing active membership in the Consolidated Plan.

**Plan Benefit Terms**

The Consolidated Plan provides retirement, disability, termination, and death benefits to plan members and beneficiaries.

**Monthly Accrued Benefit**

- Prior to October 1, 2005, 2.5% of final average earning multiplied by credited service.
- From October 1, 2005 to July 1, 2013, for police officers, and December 31, 2013, for firefighters, 2.625% of final average earning multiplied by credited service.
- The multiplier applied to credited service earned on or after July 1, 2013, for police officers, and on or after January 1, 2014, for firefighters was changed to 2.5%.

**Final Average Earnings**

- Average earnings for the highest 36 consecutive months, or highest 48 consecutive months for police officers who became members on or after July 1, 2013.
- For members who joined the Consolidated Plan on or after October 1, 1996, earnings are limited to \$150,000 per year (as indexed).

**Normal Retirement Age and Benefit**

*Age* – Age 55 with at least 10 years of credited service or at any age with at least 20 years of credited service, or any age if combined age and credited service is at least 70. For police officers who become participants on or after July 1, 2013, and firefighters who become participants on or after January 1, 2014, the normal retirement date is age 55 with at least 10 years of credited service or any age with at least 25 years of credited service, or any age if combined age and credited service is at least 70.

*Amount* – Monthly accrued benefit as described above.

*Form of Payment* –

- Life annuity with ten years certain (normal form of payment)
- Life annuity
- Actuarially reduced by 66 2/3% joint and contingent annuity (optional)



**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

- Actuarially reduced by 50% joint and last survivor annuity (optional)
- Actuarially reduced by 66 2/3% joint and last survivor annuity (optional)
- Actuarially reduced by 75% joint and last survivor annuity (optional)
- Actuarially reduced by 100% joint and last survivor annuity (optional)

All forms of payment guarantee at least the return of member contributions. In addition, the member may change the joint annuitant after retirement under the conditions set forth in the Consolidated Plan.

**Early Retirement Age and Benefit**

*Age* – Age 50 with at least 10 years of credited service.

*Amount* – Monthly accrued benefit actuarially reduced by no more than 3% per year for each year that age at retirement precedes age 55.

*Form of Payment* – Same as for normal retirement.

**Disability Retirement Eligibility and Benefit**

*Eligibility* – Active members are eligible for a disability benefit provided that they either: (1) become totally and permanently disabled in the line of duty, or (2) have earned at least 5 years of credited service and become totally and permanently disabled not in the line of duty.

*Amount* – A monthly benefit equal to the largest of (a), (b), or (c), as follows:

- (a) Monthly Accrued Benefit;
- (b) 42% of final average earnings (for disabilities incurred in the line of duty); or
- (c) 25% of final average earnings (for all other disabilities).

*Form of Payment* – Same as for normal retirement, but in no event will payments be made after the member's recovery from such disability.

**Termination Benefit**

*Age* – Age 55 with early commencement available as early as age 50 with at least 10 years of credited service.

*Amount* – Monthly accrued benefit actuarially reduced, but not to exceed 3% per year, for each year that age at retirement precedes age 55.

*Form of Payment* – Same as for normal retirement. (Note: Members with less than 10 years of credited service who terminate employment will receive a refund of their membership contributions. Members with at least 10 years of credited service who terminate employment may elect to receive a refund of their member contributions in lieu of any other Consolidated Plan benefit).

**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**Cost of Living Adjustments (COLA)**

- A retired member on or before October 1, 1999, will receive an annual 2% COLA beginning at the later of November 1, 1999, and the October 1 following the member's 62<sup>nd</sup> birthday.
- A member who retires after October 1, 1999, (including DROP participants) with 25 or more years of service will receive an annual 2% adjustment beginning at the later of November 1, 1999, and the October 1 following the member's 55<sup>th</sup> birthday.
- A member who retires after October 1, 1999, (including DROP participants) with 20 or more years of service but less than 25 years of service or who retires on or after July 9, 2007, under the Rule of 70 with less than 20 years of service will receive an annual 2% adjustment beginning at the later of November 1, 1999, and the October 1 following the member's 62<sup>nd</sup> birthday.
- A member who receives a disability retirement after October 1, 1999, shall upon attainment of age 62 on or before October 1 have the next monthly retirement benefit adjusted by 2% beginning the benefit for the month of October next coincident with the retiree's attainment of age 62.
- Members who are police officers with less than 20 years of service as of July 1, 2013, are required to have 25 years of service to receive a COLA of 1% beginning at age 55, increasing to 2% at age 62. Such members who retire with less than 25 years of service will receive no COLA.

**Contribution Requirements**

The contribution requirements of Plan members and the City are established and may be amended by City Ordinance approved by the City Commission in accordance with Part VII, Chapter 112, Florida Statutes.

Firefighters contribute 9.0% of gross pay and police officers contribute 7.5% of gross pay. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2021 was 9.72% of covered payroll for police personnel and 7.01% for fire personnel. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003B and the Special Obligation Revenue Bonds, Series 2020. In addition, state contributions are also made to the Consolidated Plan on behalf of the City under Chapters 175/185, Florida Statutes. Administrative costs are financed through investment earnings.

**Deferred Retirement Option Program**

Effective October 1, 1999, a deferred retirement option program (DROP) has been established. A member is eligible for participation in the DROP after completing 25 years of service or provided combined age and credited service is at least 70. Members of the DROP continue as active employees but no longer contribute or accrue benefits. The accrued benefit is calculated at entry into the DROP and is paid into an account within the Consolidated Plan designated by the member for investment. The maximum period of participation is 60 months. At termination of employment, participant is paid balance of account in the form elected. The balance due to DROP participants at September 30, 2021, is \$4,129,778 and is held by the Consolidated Plan pursuant to the DROP.

**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

Effective July 10, 2007, a reverse deferred retirement option program (reverse DROP) has been established. A member is eligible for participation in the reverse DROP if eligibility for the DROP has been met as of the effective date of commencement in the DROP. Participation in the reverse DROP allows the participant to select a date in the past (the effective date of commencement) for participation in the DROP.

**Note 3 - Deposits with Financial Institutions and Investments**

Cash and investments as of September 30, 2021, are classified in the accompanying financial statements as follows:

**Statement of Net Position**

Cash and cash equivalents	\$ 10,831,273
Investments	<u>325,498,422</u>
<b>Total Cash and Investments</b>	<b><u><u>\$ 336,329,695</u></u></b>

**Cash and Investments**

The Consolidated Plan invests in the State Street Bank Global Advisors' (SSGA) fund: Short-Term Investment Fund (STIF). These investments are included as part of the cash and cash equivalents in the financial statements. As of September 30, 2021, the pooled money investment account with the SSGA STIF totaled approximately \$9.9 million. The cash equivalents reported in the Statement of Fiduciary Net Position are reported at fair value. As of September 30, 2021, the weighted average maturity was 43 days for the SSGA STIF. The SSGA STIF is rated as P1.

**Rate of Return**

For the year ended September 30, 2021, the annual money-weighted rate of return on the Consolidated Plan investments, net of investment expense, was 17.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policies described below provide guidelines for the credit ratings of specific types of investments. Presented below is the rating as of year-end for each investment type:

**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

Investment Type	Fair Value	Unrated / Exempt	AAA	AA
Equities	\$ 261,052,826	\$ 261,052,826	\$ -	\$ -
Limited partnerships	43,184,860	43,184,860	-	-
Real estate	21,260,736	21,260,736	-	-
<b>Total</b>	<b>\$ 325,498,422</b>	<b>\$ 325,498,422</b>	<b>\$ -</b>	<b>\$ -</b>

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. The Consolidated Plan's investment policies do not provide specific restrictions as to maturity length of investments. Information about the sensitivity of the fair values of the Consolidated Plan's investments to market interest rate fluctuations is provided below, using the segmented time distribution method:

Investment Type	Fair Value	Exempt from Disclosure	< 2 Years	2-5 Years	5-10 Years
Equities	\$ 261,052,826	\$ 261,052,826	\$ -	\$ -	\$ -
Limited partnerships	43,184,860	43,184,860	-	-	-
Real estate	21,260,736	21,260,736	-	-	-
<b>Total</b>	<b>\$ 325,498,422</b>	<b>\$ 325,498,422</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### Investment Policy

The investment policy of the Consolidated Plan is established and amended by the Board of Trustees. There were no significant changes to the investment policy during fiscal year 2021.

The primary investment objective of the Consolidated Plan is to ensure an adequate level of assets are available to fund the benefits guaranteed to City Police and Fire employees and their beneficiaries at the time they are payable. In meeting this objective, the Board of Trustees seeks to achieve a high level of investment return consistent with a prudent level of risk.

A secondary objective is to earn total rate of return after expenses that equals or exceeds the actuarial investment return assumption. The Board of Trustees, with the help from actuary and investment consultant, will use the Consolidated Plan's asset allocation as the primary tool to achieve this objective. As this is a long-term projection and investments are subject to short-term volatility, the main investment focus of the Board of Trustees towards the Consolidated Plan and each investment manager will be on performance relative to the appropriate asset class, mix of asset classes, and peer performance over relevant time periods. Each manager is expected to maintain consistent philosophy and style, perform well versus others utilizing the same style, and add incremental value after costs.

Other general investment objectives for the Consolidated Plan are:

**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

- Long-term growth of capital – In the absence of contributions and withdrawals, the asset value of the Consolidated Plan should grow in the long run and earn rates of return greater than those of its Policy Index while avoiding excessive risk.
- Preservation of purchasing power – Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation (as measured by annual consumer price index) in order to preserve purchasing power.
- Maintain sufficient funding – Funding should be sufficient to cover unexpected developments, possible future benefit increases and reduction of expected investment returns.

The investment managers may exercise full investment discretion within the prescribed investment policy guidelines and must adhere with Chapters 175/185, Florida Statutes and Section 112.661, Florida Statutes.

**Note 4 - Fair Value Measurements**

The Consolidated Plan records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Fair value is defined in GASB Statement No. 72 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 (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect the City's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

Real estate investments are valued by market assumptions provided by the individual managers of each fund. The managers determine the fair value of the underlying investments of the fund then allocate their fair value to the Consolidated Plan's investments based on the percentage of ownership it has in the fund. For investments in certain entities that calculate net asset value (NAV) that do not have a readily determinable fair value, the Consolidated Plan is permitted to report fair value on the NAV per share as a practical expedient, where certain conditions are met. Such measurements are included within the disclosure, but should not be classified as Level 1, Level 2, or Level 3 within the hierarchy.

Fair value measurements are performed on a recurring basis. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels.

The following table categorizes the Consolidated Plan's investments within the fair value hierarchy, as follows:

Investments by Fair Value Level	September 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 261,052,826	\$ 261,052,826	\$ -	\$ -
Totals	<u>\$ 261,052,826</u>	<u>\$ 261,052,826</u>	<u>\$ -</u>	<u>\$ -</u>

  

Investments Measured at Net Asset Value (NAV)	Total Investments	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate strategies <sup>1</sup>	\$ 21,260,736	\$ 5,593,000	Daily	1-3 Days, Subjective
Alternative investments <sup>2</sup>	43,184,860	-	Daily, Monthly, Biannual	60-90 Days, Subjective
Total Investments Measured at NAV	<u>64,445,596</u>	<u>\$ 5,593,000</u>		
Total Investments	<u>\$ 325,498,422</u>			

<sup>1</sup> Real Estate Strategies – This type includes two commingled real estate funds comprised of diversified commercial and residential real estate investments. Participation in these investments is through commingled funds with ownership measured in shares of the funds. These investments typically provide daily liquidity with redemption requests processed within 1 - 3 days, subject to certain restrictions and the availability of cash. On March 20, 2020, the Principal U.S. Property Account applied a redemption limitation that provides for redemptions on a pro rata basis as cash balances become available for distribution. The Consolidated Plan had no redemptions in queue as of September 30, 2021.



**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

<sup>2</sup> *Alternative Investments* – This type includes five funds with a variety of investments including structured credit investments, securitized credit investments, sovereign credit investments, high yield credit investments, and residential bridge loans, which offer attractive risk/return profiles, and provide portfolio diversification. Participation in these funds is through a collective trust, commingled funds and limited partnerships, with ownership measured in shares of the collective trust, commingled funds, or partners' capital. These investments typically provide daily, monthly, or biannual liquidity with redemption requests required 60-90 days prior to trade settlement date, subject to certain restrictions and the availability of cash.

**Note 5 - Net Pension Liability/(Asset)**

The components of the net pension liability/(asset), measured as of September 30, 2021, were as follows:

Total pension liability	\$ 305,888,606
Plan fiduciary net position	<u>348,217,158</u>
<b>Net Pension Liability/(Asset)</b>	<b><u>\$ (42,328,552)</u></b>

Plan fiduciary net position as a percentage of the total pension liability	113.84%
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**Significant Actuarial Assumptions**

The total pension liability was determined based on October 1, 2020 actuarial valuation, updated to September 30, 2021, using the following actuarial assumptions:

Inflation	2.50%
Salary Increase for Police Employees with less than 5 Years of Service	6.00%
Salary Increase for Fire Employees with less than 5 Years of Service	5.00%
Salary Increase for Police Employees with 5 to 9 Years of Service	5.00%
Salary Increase for Fire Employees with 5 to 9 Years of Service	4.00%
Salary Increase for Police Employees with 10 to 14 Years of Service	4.00%
Salary Increase for Fire Employees with 10 to 14 Years of Service	3.00%
Salary Increase for Police Employees with more than 14 Years of Service	3.00%
Salary Increase for Fire Employees with more than 14 Years of Service	2.00%
Investment Rate of Return	7.90%

Mortality rates were based on the PubS.H-2010 (Below Median) Combined Fully Generational Mortality Table, set forward one year. 50% of deaths among active members are assumed to be service incurred, and 50% are assumed to be non-service incurred. Disabled mortality is based 80% on the PubG.H-2010 Disability Retiree Mortality Table and 20% on the PubS.H-2010 Disability Retiree Mortality Table.

**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
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The actuarial assumptions were based on the assumptions approved by the Board of Trustees in conjunction with an experience study covering the 5-year period ending on September 30, 2010. Due to Consolidated Plan changes first valued in the October 1, 2012, actuarial valuation, changes to the assumed retirement rates and the valuation methodology for the assumed increase in benefit service for accumulated sick leave and accumulated vacation paid upon termination were made. Payroll growth assumptions were updated in 2012, and investments were reviewed by the Board of Trustees in February of 2015, based on an asset liability study reflecting the current investment policy.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.90%. The projection of cash flows used to determine the discount rate assumed that Consolidated Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member and state contributions. Based on those assumptions, the Consolidated 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 the Consolidated Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Long-Term Expected Rate of Return**

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. For 2021 the inflation rate assumption of the investment advisor was 2.50%. 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 Consolidated Plan's target asset allocation are summarized in the following table:

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return *</b>
Large cap equity	35.00%	6.80%
Small cap equity	15.00%	7.60%
International equity	20.00%	7.70%
Securitized credit	5.00%	3.20%
High yield	7.50%	4.00%
Real estate	17.50%	4.90%
<b>Total</b>	<b>100.00%</b>	

\* Based on 10 year returns

**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate**

The following presents the net pension liability/(asset), calculated using the discount rate of 7.90%, as well as what the Consolidated Plan's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.90%) or 1 percentage-point higher (8.90%) than the current rate:

	<b>1% Decrease (6.90%)</b>	<b>Current Discount Rate (7.90%)</b>	<b>1% Increase (8.90%)</b>
Net Pension Liability/(Asset)	\$ (7,364,085)	\$ (42,328,552)	\$ (71,429,745)

## **REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN**  
**CITY OF GAINESVILLE, FLORIDA**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Service costs	\$ 4,235,165	\$ 3,905,032	\$ 3,757,740	\$ 3,682,078	\$ 4,254,335	\$ 3,812,252	\$ 4,094,841	\$ 3,730,365
Interest	23,425,956	22,777,676	22,397,470	21,993,597	21,463,554	20,156,185	23,375,806	19,299,422
Change in Excess State Money	-	-	(951,203)	-	-	-	-	-
Share Plan Allocation	398,142	890,108	951,203	-	-	-	-	-
Differences between expected and actual experience	159,551	501,678	(1,185,483)	(2,419,821)	2,311,687	(6,006,515)	(140,568)	-
Changes of assumptions	(4,514,316)	-	3,102,805	4,612,282	2,158,450	2,719,455	2,608,508	2,523,158
Contributions - Buy Back	-	7,400	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(20,223,626)	(20,188,276)	(19,538,102)	(19,464,524)	(16,100,144)	(15,444,821)	(17,602,583)	(12,898,782)
Net change in total pension liability	3,480,872	7,893,618	8,534,430	8,403,612	14,087,882	5,236,556	12,336,004	12,654,163
Total pension liability-beginning	302,407,734	294,514,116	285,979,686	277,576,074	263,488,192	258,251,636	245,915,632	233,261,469
Total pension liability-ending (a)	\$ 305,888,606	\$ 302,407,734	\$ 294,514,116	\$ 285,979,686	\$ 277,576,074	\$ 263,488,192	\$ 258,251,636	\$ 245,915,632
<b>Plan Fiduciary Net Position</b>								
Employer contributions	\$ 2,048,850	\$ 51,905,342	\$ 4,958,811	\$ 4,507,892	\$ 4,294,312	\$ 3,716,354	\$ 3,682,847	\$ 3,855,020
Employee contributions	2,314,580	2,113,851	1,946,523	1,963,471	2,024,693	2,093,074	1,972,417	2,067,685
State contributions	1,537,422	3,141,731	-	1,366,304	1,254,172	1,242,740	1,269,827	1,259,995
Contributions - Buy Back	-	7,400	-	-	-	-	-	-
Net investment income	66,246,836	17,227,545	3,521,972	24,056,126	31,854,789	22,310,321	(93,259)	21,911,535
Benefit payments, including refunds of employee contributions	(20,223,626)	(20,188,276)	(19,538,102)	(19,464,524)	(16,100,144)	(15,444,821)	(17,602,583)	(12,898,782)
Administrative expense	(622,712)	(708,558)	(771,292)	(699,346)	(564,203)	(585,416)	(609,229)	(609,264)
Other	(2,754)	-	91,875	-	-	-	-	-
Net change in plan fiduciary net position	51,298,596	53,499,035	(9,790,213)	11,729,923	22,763,619	13,332,252	(11,379,980)	15,586,189
Plan fiduciary net position-beginning	296,918,562	243,431,612	253,221,825	241,763,801	219,000,182	205,667,930	217,047,910	201,461,721
Adjustment to beginning of year	-	(12,085)	-	(271,899)	-	-	-	-
Plan fiduciary net position-ending (b)	\$ 348,217,158	\$ 296,918,562	\$ 243,431,612	\$ 253,221,825	\$ 241,763,801	\$ 219,000,182	\$ 205,667,930	\$ 217,047,910
City's net pension liability (asset)-ending (a)-(b)	\$ (42,328,552)	\$ 5,489,172	\$ 51,082,504	\$ 32,757,861	\$ 35,812,273	\$ 44,488,010	\$ 52,583,706	\$ 28,867,722
Plan fiduciary net position as a percentage of the total pension liability	113.84%	98.18%	82.66%	88.55%	87.10%	83.12%	79.64%	88.26%
Annual covered payroll	\$ 28,654,045	\$ 26,077,644	\$ 24,058,071	\$ 25,263,376	\$ 25,501,291	\$ 23,885,642	\$ 25,539,198	\$ 24,364,333
Net pension liability/(asset) as a percentage of covered payroll	-147.72%	21.05%	212.33%	129.67%	140.43%	186.25%	205.89%	118.48%

**Notes to Schedule:**

Changes of assumptions:

For measurement date September 30, 2021, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019

FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

For measurement date September 30, 2019, the investment rate of return was reduced from 8.00% to 7.90%.

For measurement date September 30, 2018, the investment rate of return was reduced from 8.10% to 8.00%.

For measurement date September 30, 2017, the investment rate of return was reduced from 8.20% to 8.10%.

For measurement date September 30, 2016, the investment rate of return was reduced from 8.30% to 8.20%.

For measurement date September 30, 2015, the investment rate of return was reduced from 8.40% to 8.30%.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN**  
**CITY OF GAINESVILLE, FLORIDA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as percentage of covered payroll
9/30/2021	\$ 2,048,850	2,048,850	\$ -	\$ 28,654,045	7.15%
9/30/2020	\$ 5,680,398	51,905,342	\$ (46,224,944)	\$ 26,077,644	199.04%
9/30/2019	\$ 4,958,811	4,958,811	\$ -	\$ 24,058,071	20.61%
9/30/2018	\$ 4,507,892	4,507,892	\$ -	\$ 25,263,376	17.84%
9/30/2017	\$ 4,294,312	4,294,312	\$ -	\$ 25,501,291	16.84%
9/30/2016	\$ 3,716,354	3,716,354	\$ -	\$ 23,885,642	15.56%
9/30/2015	\$ 3,682,847	3,682,847	\$ -	\$ 25,539,198	14.42%
9/30/2014	\$ 3,855,020	3,855,020	\$ -	\$ 24,364,333	15.82%

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of October 1, 2019, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality rates

RP-2000 combined fully generational mortality table with blue collar adjustment.

Interest rate

7.90% per year, compounded annually, net of investment related expenses.

Rate of retirement

100% of Firefighters and Police Officers at 25 years of service. 5% of Firefighters and Police Officers after 21-24 credit years. 17.50% and 25% of Firefighters' and Police Officers' at 20 years of service, respectively.

Disability rate

Sample of rates of disability are shown below:

Age	Disability Rate
25	0.105%
30	0.144%
35	0.182%
40	0.308%
45	0.434%
50	0.854%
55	1.274%



**REQUIRED SUPPLEMENTARY INFORMATION**  
**CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN**  
**CITY OF GAINESVILLE, FLORIDA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Termination rates

Sample rates of termination are shown below.

Service	Firefighters	Police Officers
0-5	0.5%	0.7%
6-9	1.5%	3.5%
10-11	0.0%	2.5%
12+	0.0%	0.0%

Salary increases

Rates of salary increases are shown below.

Service	Firefighters	Police Officers
0-4	5.0%	6.0%
5-9	4.0%	5.0%
10-14	3.0%	4.0%
15+	2.0%	3.0%

State contributions

State premium tax revenue is assumed to be the same as the most recent distribution.

Payroll increase rate

Police Officers: 3.0% - 6.0%; Firefighters: 2.0% - 5.0%.

3.0% per year for projecting aggregate payroll to the following fiscal year and 2.45% for determining amortization payments towards the unfunded accrued liability.

Marital assumptions

90% of active members are assumed to be married with males 2 years older than females.

Overtime pay

Overtime pay is assumed to equal to 6.5% of non-overtime related pensionable earnings in the years preceding retirement.

Vacation payout upon termination

Accumulated vacation that is payable upon termination of employment is assumed to be equal to the vacation balance as of July 1, 2013, for police officers and January 1, 2014, for firefighters.

Accumulated sick leave

Accumulated sick leave is assumed to increase benefit service according to the balance as of July 1, 2013, for police officers and January 1, 2014, for firefighters.

Funding method

Entry Age Normal Actuarial Cost Method.

Asset allocation method

Investment returns are allocated by group.

Actuarial asset method

Actuarial value.

Amortization periods

Plan changes, assumption/method changes, and gains or losses are amortized over a 30 year period.

The schedule will present ten years comparative data in the future.

REQUIRED SUPPLEMENTARY INFORMATION  
CONSOLIDATED POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN  
CITY OF GAINESVILLE, FLORIDA  
SCHEDULE OF INVESTMENT RETURNS

FY	Annual Money-Weighted Rate of Return on Pension Plan Investments
2021	17.80%
2020	7.10%
2019	1.30%
2018	10.22%
2017	11.20%
2016	11.20%
2015	0.00%
2014	11.01%

**Note to Schedule**

The schedule will present ten years comparative data in the future.

## 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*

Board of Trustees  
City of Gainesville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Consolidated Police Officers' and Firefighters' Retirement Plan (the Consolidated Plan), a fiduciary component unit of the City of Gainesville, Florida (the City), which comprise the statement of fiduciary net position as of and for the year ended September 30, 2021, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Consolidated Plan's basic financial statements, and have issued our report thereon dated September 27, 2022.

### Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant

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

deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified the following deficiency in internal control, that we consider to be a significant deficiency:

■ **2021-1 – Investment and Pension Activity Reconciliations**

*Condition:* Due to the City implementing a new enterprise resource planning (ERP) system in the current year and significant turnover in the finance department, investment statements and pension activity were not reconciled to the general ledger on a timely basis. As a result, there were significant errors in the Consolidated Plan’s account balances per the general ledger during the year ended September 30, 2021. A consultant, engaged by the City several months after year end, reviewed and corrected general ledger account balances prior to the audit.

*Criteria:* Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Effect:* Inaccurate financial information within the general ledger could result in material misstatements of the financial statements.

*Recommendation:* We recommend management reconcile investment and pension activity to its general ledger monthly.

**Management’s Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on management’s response to the finding identified in our audit, which is included in the accompanying management response letter. Management’s response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Consolidated 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, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

Board of Trustees  
City of Gainesville, Florida

**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***

express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



September 27, 2022  
Gainesville, Florida



# City of Gainesville

## Department of Financial Services

September 29, 2022

Board of Trustees

City of Gainesville, Florida

Re: Management response to the Independent Auditor's Report and Management Letter for the Consolidated Police Officers' and Firefighters' Retirement Plan Financial Statements for the period ended September 30, 2021

### **2021-1 - Investment and Pension Activity Reconciliations**

*Condition:* Due to the City implementing a new enterprise resource planning (ERP) system in the current year and significant turnover in the finance department, investment statements and pension activity were not reconciled to the general ledger on a timely basis. As a result, there were significant errors in the Consolidated Plan's account balances per the general ledger during the year ended September 30, 2021. A consultant, engaged by the City several months after year end, reviewed and corrected general ledger account balances prior to the audit.

*Criteria:* Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Effect:* Inaccurate financial information within the general ledger could result in material misstatements of the financial statements.

*Recommendation:* We recommend management reconcile investment and pension activity to its general ledger monthly.

**Management response:** Management is aware of this issue. The Accounting Division has experienced significant turnover in recent years, including vacancies in key positions such





# City of Gainesville

## Department of Financial Services

as the Finance Director and Accounting Manager. This was exacerbated by the implementation of the Enterprise Resource Planning (ERP) system in the middle of the fiscal year (July 2021). To help address these issues, the City hired an experienced external consultant to help with conversion data reconciliation and provide support to the Finance department. In addition, the City entered into a Service Level Agreement with the City-owned Utility (Gainesville Regional Utility) to provide temporary support to the City's finance team, including management of all audit-related items and hiring of vacant positions. As a result of these efforts, a new Controller was hired in June 2022, who is currently serving as the Acting Finance Director. The Accounting Division is fully staffed with the hiring of the Accounting Manager and a Senior Accountant. In addition, the Finance department hired a Financial Systems Architect who will provide support related to the new ERP system. The team is currently working on month-end close processes and will start closing the months in October 2022. Included in the month-end processes is the reconciliation of the investment statements and pension activities to the general ledger. This will ensure subsidiary ledgers balance to the general ledger, and all balances are reconciled and reviewed on a monthly basis. We will also start distributing trial balance and other financial reports to the Board for their review.

Sincerely

Sue Wang  
Acting Finance Director