

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-
LOCAL OPTION TRUST FUND**

FINANCIAL STATEMENTS

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2021 AND 2020**

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

**FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of North Port, Florida
Firefighters' Pension—Local Option Trust Fund
North Port, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of North Port, Florida, Firefighters' Pension—Local Option Trust Fund (the "Fund"), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management of the Fund 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2021 and 2020, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Firefighters' Pension–Local Option Trust Fund and do not purport to, and do not present fairly, the financial position of the City of North Port, Florida, as of September 30, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 and the Schedule of Changes in the City's Net Pension (Asset) Liability and Related Ratios, Schedule of Contributions and Schedule of Pension Investment Return on pages 21 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2022, on our consideration of the Fund'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 Fund'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 Fund's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
February 23, 2022

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020
(UNAUDITED)**

As management of the City of North Port, Florida, Firefighters' Pension-Local Option Trust Fund (the "Fund"), we offer readers of the financial statements this narrative overview of the financial activities of the Fund for the years ended September 30, 2021 and 2020. This narrative is intended to supplement the Fund's financial statements.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Fund's financial statements. The financial statements are the: (1) Statements of Fiduciary Net Position, (2) Statements of Changes in Fiduciary Net Position, and (3) Notes to Financial Statements.

This report also contains the following "Required Supplementary Information" in addition to the financial statements: (1) Schedule of Changes in the City's Net Pension (Asset) Liability and Related Ratios, (2) Schedule of Contributions, (3) Schedule of Pension Investment Return, and (4) Notes to the Schedule of Changes in the City's Net Pension Liability and Related Ratios, Schedule of Contributions and Schedule of Investment Return.

Financial Statements

The financial statements contained in this report are described below.

The Statements of Fiduciary Net Position (page 9) is a point-in-time snapshot of account balances at fiscal year-end. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the statement date. The resulting net position represents the value of assets held in trust for pension benefits.

The Statements of Changes in Fiduciary Net Position (page 10) displays the effect of pension fund transactions that occurred during the fiscal year, where Additions – Deductions = Net Increase (Decrease) in Net Position. This net increase (decrease) in net position reflects the change in the net asset value of the Statements of Fiduciary Net Position from the prior year to the current year. Both statements are in compliance with Governmental Accounting Standards Board (GASB) Pronouncements.

Notes to Financial Statements

The Notes to Financial Statements are an integral part of the financial statements and provide additional information that is essential to the comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which the Fund operates and provides additional levels of detail for select financial statement items (see Notes to Financial Statements on pages 11 through 20 of this report).

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020
(UNAUDITED)**

Required Supplementary Information

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the ongoing plan perspective. Therefore, in addition to the financial statements explained above, this financial report includes two additional "Required Supplementary Information" schedules with historical trend information.

The Schedule of Changes in the City's Net Pension (Asset) Liability and Related Ratios (page 21) includes sources of changes in the City's net pension liability and information about the components of the net pension liability and related ratios, including the City's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered-employee payroll.

The Schedule of Contributions (pages 22 and 23) compares the actuarially determined contribution to the contributions made by the City and determines the ratio of contributions made as a percentage of the covered-employee payroll.

The Schedule of Pension Investment Return (page 24) represents the annual money-weighted rate of return, net of investment expenses for the Fund.

Notes to Required Supplementary Information

The Notes to the Schedule of Changes in the City's Net Pension (Asset) Liability and Related Ratios, the Schedule of Contributions and the Schedule of Pension Investment Return provide background information and explanatory detail to aid in understanding the required supplementary schedules.

Financial Highlights

- The net position of the Fund exceeded its liabilities at the close of the fiscal years ended September 30, 2021 and 2020 with \$65,404,889 and \$55,434,805 in net position held in trust for pension benefits, respectively.
- Net position increased \$9,970,084 or 18% during 2021, and \$4,231,087 or 8.3% during 2020, primarily due to contributions and investment income.
- The Fund's objective is to meet long-term benefit obligations. As of October 1, 2021, the date of the latest actuarial valuation, the funded ratio of the Fund was 97.1%. In general, this means that for every dollar of pension benefits due, the Fund has \$0.971 available for payment.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020
(UNAUDITED)**

Analysis of Financial Activities

The Fund's objective is to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of employer and member contributions and the income from investments provide the reserves needed to finance future retirement benefits.

Contributions from the City of North Port, Florida (the "City"), are made at levels determined by the Fund's actuary. Because of higher than expected investment returns, the City's contributions are gradually declining. The Fund's investment portfolio produced good returns in the last three years. Net position held in trust for pension benefits increased by \$9,970,084 in 2021 compared to an increase of \$4,231,087 in 2020.

Net Position

As of September 30, 2021, 2020 and 2019

	2021	2020	2019	Increase (Decrease)			
				2021 to 2020		2020 to 2019	
				\$	%	\$	%
Current and other assets	\$ 20,893	\$ 228,706	\$ 169,509	\$ (207,813)	-90.9%	\$ 59,197	34.9%
Investments, at fair value	<u>65,443,962</u>	55,215,924	51,069,715	10,228,038	18.5%	4,146,209	8.1%
Total assets	<u>65,464,855</u>	55,444,630	51,239,224	10,020,225	18.1%	4,205,406	8.2%
Total liabilities	<u>59,966</u>	9,825	35,506	50,141	510.3%	(25,681)	-72.3%
Net assets	<u>\$ 65,404,889</u>	<u>\$ 55,434,805</u>	<u>\$ 51,203,718</u>	<u>\$ 9,970,084</u>	18.0%	<u>\$ 4,231,087</u>	8.3%

As the years roll forward and total assets and liabilities grow, investment income will continue to play an important role in funding future retirement benefits. Therefore, investment return over the long-term is critical to the funding status of the Fund.

During 2021, the Fund's investment portfolio returned gains of approximately 18%. It is important to remember that a retirement plan's funding is based on a long time horizon, where temporary ups and downs in the market are expected. The more critical factor is that the Fund be able to meet an expected earnings yield of 7.5% annual return on investments.

Based on the latest actuarial valuation as of October 1, 2021, the Fund's actuarial accrued liability exceeds its actuarial value of assets by \$1,759,969, producing a funded ratio of 97.1%. The funded ratio is a key indication of financial strength of the Fund and analyzing this percentage over time indicates whether the Fund is becoming stronger or weaker. Investment and experience gains incurred in previous years have caused an upward trend in the funded ratio.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020
(UNAUDITED)**

Financial Analysis Summary

As previously noted, net position viewed over time may serve as a useful indication of the Fund's financial position (see Net Position table above). At the close of fiscal years 2021 and 2020, the assets of the Fund exceeded its current liabilities by \$65,404,889 and \$55,434,805, respectively, shown as net position held in trust for pension benefits. The net position is available to meet the Fund's ongoing obligation to plan participants and their beneficiaries.

Net Position

The Fund's net position is established from employer and member contributions, and the accumulation of investment income, net of investment and administrative expenses and benefit payments.

Additions to Plan Net Position

As noted above, the net position needed to finance retirement benefits is accumulated through collecting employer and member contributions and through investment earnings (net of investment expenses). The additions for the years ended September 30, 2021 were \$12,168,727 compared to 2020 additions of \$6,096,062. The increase of \$6,072,665 was primarily due to higher investment returns in 2021. In 2020, net investment income was down due to lower market returns as noted below.

Additions to Net Position
For the Years Ended September 30, 2021, 2020 and 2019

	2021	2020	2019	Increase (Decrease)			
				2021 to 2020		2020 to 2019	
				\$	%	\$	%
Employer contributions	\$ 709,952	\$ 651,211	\$ 682,166	\$ 58,741	9.0%	\$ (30,955)	-4.5%
Member contributions	418,083	383,491	401,179	34,592	9.0%	(17,688)	-4.4%
State of Florida contributions	494,296	436,173	419,796	58,123	13.3%	16,377	3.9%
Net investment income	10,546,396	4,625,187	1,880,144	5,921,209	128.0%	2,745,043	-146.0%
Total additions	\$ 12,168,727	\$ 6,096,062	\$ 3,383,285	\$ 6,072,665	99.6%	\$ 2,712,777	80.2%

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020
(UNAUDITED)**

Deductions from Plan Net Position

The Fund was created to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, refunds of contributions to employees who terminate employment and the cost of administering the Fund. For the year ended September 30, 2021, deductions totaled \$2,198,643, an increase of 17.9% from 2020 and -29.3% from 2019. The increase was primarily due to the increase in lump sum benefit payments paid out for the year ended September 30, 2021.

Deductions From Net Position

For the Years Ended September 30, 2021, 2020 and 2019

	2021	2020	2019	Increase (Decrease)			
				2021 to 2020		2020 to 2019	
				\$	%	\$	%
Benefit payments	\$ 1,870,358	\$ 1,781,980	\$ 2,242,693	\$ 88,378	5.0%	\$ (460,713)	-20.5%
Share account distributions	253,792	-	325,527	253,792	0.0%	(325,527)	100.0%
Refunds of contributions	1,337	1,337	-	-	0.0%	1,337	0.0%
Administrative expenses	73,156	81,658	70,429	(8,502)	-10.4%	11,229	15.9%
Total deductions	\$ 2,198,643	\$ 1,864,975	\$ 2,638,649	\$ 333,668	17.9%	\$ (773,674)	-29.3%

Fiduciary Responsibilities

The Board of Trustees is the fiduciary of the pension trust fund. Fiduciaries are charged with the responsibility of assuring that the assets of the Fund are used exclusively for the benefit of plan participants and their beneficiaries and defraying reasonable expenses of administering the Fund.

Requests for Information

This financial report is designed to provide the Board of Trustees, our membership, taxpayers and investment managers with an overview of the Fund's finances and accountability for the money received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David A. Carroll, Administrator, City of North Port, Florida Firefighters' Pension-Local Option Trust Fund at 492 River Hills Drive, Max Meadows, Virginia 24360.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

**STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Assets		
Cash and equivalents	\$ 20,893	\$ -
Receivables		
Contributions	-	228,706
Total receivables	-	228,706
Investments, at fair market value		
Money market funds	357,184	444,337
Fixed income mutual funds	20,433,039	16,664,686
Equity securities	38,600,845	32,715,566
Real estate	6,052,894	5,391,335
Total investments	65,443,962	55,215,924
Total assets	65,464,855	55,444,630
Liabilities		
Accounts payable and accrued expenses	39,074	9,825
Due to broker	20,892	-
Total liabilities	59,966	9,825
Net position held in trust for pension benefits	\$ 65,404,889	\$ 55,434,805

The notes to financial statements are an integral part of this statement.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Additions		
Contributions		
Plan members	\$ 418,083	\$ 383,491
State of Florida	494,296	436,173
City of North Port	709,952	651,211
Total contributions	<u>1,622,331</u>	<u>1,470,875</u>
Investment income		
Net change in fair value of investments	8,312,072	3,063,103
Interest and dividends	2,354,113	1,672,372
Investment income	<u>10,666,185</u>	<u>4,735,475</u>
Less investment expenses	<u>119,789</u>	110,288
Net investment income	<u>10,546,396</u>	<u>4,625,187</u>
Total additions	<u>12,168,727</u>	<u>6,096,062</u>
Deductions		
Benefits to participants	1,870,358	1,781,980
Refunds of participant contributions	1,337	1,337
Share account distributions	253,792	-
Administrative expenses	73,156	81,658
Total deductions	<u>2,198,643</u>	<u>1,864,975</u>
Change in net position	9,970,084	4,231,087
Net position held in trust for pension benefits		
Beginning of year	<u>55,434,805</u>	<u>51,203,718</u>
End of year	<u>\$ 65,404,889</u>	<u>\$ 55,434,805</u>

The notes to financial statements are an integral part of this statement.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City of North Port, Florida, Firefighters' Pension-Local Option Trust Fund (the "Fund"), was established to account for the financial activity of the City of North Port, Florida, Firefighters' Pension Fund. The Fund is managed by a five member Board of Trustees comprised of two members appointed by the Commission of the City of North Port, Florida (the "City"), two members elected by the Fund membership and one member elected by the other four members and subsequently appointed, as a ministerial duty, by the City Commission. The financial statements are only for the Fund and are not intended to present the basic financial statements of the City. The Fund is reported in the fiduciary funds (pension trust) of the City's basic financial statements.

Basis of Accounting: The Fund's financial statements are prepared using the accrual basis of accounting. Contributions from the Fund's members are recognized as additions in the period in which the contributions are due. Contributions from the City are recognized as additions when due and the City has made a formal commitment to provide the contributions. State contributions are recognized when received. Expenses are recognized in the accounting period incurred, if measurable. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

Method Used to Value Investments: Investments are reported at fair value. Money market mutual funds are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets. Interest and dividend income is recognized on the accrual basis when earned. Purchases and sales of investments are recorded on a trade date basis.

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

NOTE 2. FUND DESCRIPTION AND CONTRIBUTION INFORMATION

Fund Description: Full-time firefighters of the City of North Port Fire Department participate in either the Florida Retirement System (FRS) or the Fund. Firefighters hired after July 1, 2018 participate solely in the FRS. Members active on July 1, 2018 had the option of participating prospectively in the FRS. The Fund is a single employer defined benefit pension Fund that was established November 5, 1974, pursuant to Florida Statutes, Chapter 175, and City Ordinance 74-13. The Fund was amended most recently by Ordinance 2012-18. Benefit provisions are established and may be amended by the City Commission.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 2. FUND DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

The Fund provides retirement, death and disability benefits for its members. A member may retire with normal benefits after the earlier of age 55 with ten years of credited service, or age 52 with 25 years of credited service. Reduced early retirement benefits are available once a member reaches age 50 and accumulates ten years of credited service. Normal retirement benefits are 3.5% (3.0% for members hired on or after October 12, 2012) of the member's average final compensation times credited service years. Early retirement benefits are the same as normal retirement benefits, reduced by 3.0% for each year by which the commencement of benefits precedes the normal retirement date. Average final compensation for purposes of calculating benefits is the average annual salary for the highest five years of the last ten years of credited service. Salary means the total compensation for services rendered to the City as a firefighter reportable on the member's W-2 form plus all tax-deferred or tax-sheltered items of income derived from elective employee payroll deduction or salary reduction. Effective July 5, 2012, salary shall include payment for up to 300 hours of overtime per fiscal year and exclude payments for accrued sick and annual leave accumulated after said date; however, salary for members who are employed on July 5, 2012 shall include payment for accrued sick and annual leave at termination of employment up to the dollar value of sick and annual leave accrued as of July 5, 2012.

Any member hired before October 1, 2012 who is eligible for normal retirement may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a firefighter. Upon participation in the DROP, the member becomes a retiree for all plan purposes so that he or she ceases to accrue any further benefits under the plan. Normal retirement payments that would have been payable to the member as a result are accumulated and invested in the DROP plan to be distributed to the member upon his or her termination of employment. Participation in the DROP plan ceases for a member at termination of employment or five years of participation, whichever comes first. Members hired on or after October 1, 2012 are not eligible to participate in the DROP. The DROP balance as of September 30, 2021 and 2020 were \$637,596 and \$488,686, respectively.

Eligibility for disability benefits begins from the member's date of hire, if the disability is service connected, or after ten years of credited service if non-service incurred. Disability benefits are 3.5% of the member's average final compensation, and not less than 42.0% of the member's average final compensation times his or her credited service years.

The death benefit for a member who is vested is a payment of the member's accrued pension benefit to the member's beneficiary for ten years, beginning on the date that the deceased member would have been eligible for early or normal retirement, at the option of the beneficiary. The death benefit for a member who is not vested is a return of the member's contributions to the member's beneficiary.

Termination benefits for unvested members are the return of the member's contributions. For members who are vested when they terminate, their vested accrued pension benefit is payable at the early or normal retirement date. Full vesting occurs at the completion of ten years of credited service.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 2. FUND DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

Beginning retroactively on October 1, 1999 and on each October 1 thereafter, the monthly benefit amount of each retiree (except disability retirees) and each terminated vested person who has been retired or who has been receiving benefit payments at least one year and who has attained age 55 shall be increased by 3%. Cost of living allowances shall cease once the retiree reaches age 63. This increase shall also be applicable to the benefit payments of the beneficiaries and joint pensioners of deceased members of retirees, and eligibility for the allowance shall be based on the date that the deceased retiree or member would have been eligible.

At October 1, 2020, the date of the latest actuarial valuation, membership consisted of:

Retirees and beneficiaries receiving benefits	34
Terminated employees entitled to benefits, but not yet receiving them	36
Active members	<u>38</u>
Total	<u><u>108</u></u>

Effective September 1, 2012, a supplemental retirement benefit in the form of individual share accounts was created for each active firefighter, living retiree (including DROP participants) and disability benefit recipients and beneficiary survivors receiving a survivor retirement benefit. The total initial amount allocated to the share accounts was based on years of service of all active firefighters (including DROP participants) and retiree participants (including disability benefit recipients and beneficiary survivors) who were employees and members of the plan between December 1, 2005 and September 30, 2012, which included the accumulated excess premium tax revenues in the pension fund as of the October 1, 2011 actuarial valuation report, plus premium tax revenues received in excess of \$250,000 during 2012. For plan years beginning October 1, 2012 and later, all premium tax revenues received by the City in excess of \$250,000 will be allocated to the share accounts based on years of credited service. Effective December 31, 2013 and each December 31 thereafter, each share account will be credited or debited with earnings or losses based upon the amount in the share account at the close of the immediately preceding plan year at a rate equal to the pension plan's actual net rate of investment return for the preceding plan year. An active firefighter (including DROP participants) with ten or more years of credited service upon termination of employment shall be eligible to receive a distribution of 100% of the balance in their respective share account, together with all earnings and losses and interest credited to the share account through the date of termination of employment. Retiree participants (including disability benefit recipients and beneficiary survivors) shall receive distribution of the annual share allocation in the form of a thirteenth monthly check equal to the annual crediting described above. Vested terminated members shall be entitled to participate in this supplemental retirement benefit upon commencing receipt of retirement benefits from the plan.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 2. FUND DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

No benefit shall be payable to an active firefighter who terminates covered employment with less than ten years of credited service. The share account balances of such non-vested terminated members shall be redistributed among all eligible participants' share accounts in the same manner as premium tax revenues in the following fiscal year. The designated beneficiary of a share plan member who dies shall receive the accumulated total of the share account balance at date of death, regardless of the member's length of service. A share plan member awarded a disability pension from the plan shall receive the accumulated total of the member's share account balance. As of October 1, 2021 and 2020 the date of the latest actuarial valuations, the balance of member share accounts was \$2,396,871 and \$2,080,588, respectively.

Contributions: Contribution requirements are established and may be amended by the City Commission and are based on the benefit structure established by the City. Members are required to contribute 10.6% of their salary (effective March 1, 2016). Pursuant to Chapter 175, Florida Statutes, a premium tax on certain casualty insurance contracts written on North Port properties is collected by the state and remitted to the Fund for the state's annual contribution amount. The City is required to contribute the remaining amounts necessary to finance the benefits through periodic contributions at actuarially determined rates. Administrative costs are financed through investment earnings.

A rehired member may buy back years of past service by paying into the Fund the amount of contributions the employee would otherwise have paid for such service. The maximum credit for service other than with the City shall be five years of credited service and shall count for all purposes, except vesting and eligibility for non-service incurred disability benefits. There shall be no maximum purchase of credit for prior service with the City and such credit shall count for all purposes, including vesting.

Investment Policy: The following was the Board's adopted asset allocation policy as of September 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	47.50%
International Equity	10.00%
Domestic Core Fixed Income	22.50%
Global Fixed Income	5.00%
Real Estate	10.00%
GTA	5.00%
	<u>100.00%</u>

Rate of Return: For the years ended September 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.11% and 19.22%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

Authorized Investments: Florida Statutes and the Fund's investment policy limit investments to annuity and life insurance contracts; time or savings accounts; obligations issued by the United States Government or by an agency of the United States Government; bonds issued by the State of Israel; corporate stocks and bonds; and pooled funds, including mutual funds, commingled funds, exchange-traded funds, limited partnerships, and private equity. Investments in illiquid investments, as described by Florida Statutes, are prohibited. Investments in companies identified as scrutinized companies by the Florida State Board of Administration (SBA) are prohibited, with the exception of investments in scrutinized companies that are held within commingled funds (if the commingled fund sponsor does not offer a similar fund that does not hold investments in scrutinized companies).

At September 30, 2021, the Fund had the following investments:

Investment Type	Credit Rating		Fair Market	Investment Maturity (in Years)			
	(Moody's)	(S & P's)		Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	Aaa-mf	AAAm	\$ 357,184	\$357,184	\$ -	\$ -	\$ -
			357,184	\$357,184	\$ -	\$ -	\$ -
Fixed income mutual funds	Not rated	Not rated	20,433,039				
Equity securities	Not rated	Not rated	38,600,845				
Commingled real estate funds	Not rated	Not rated	6,052,894				
Total investments			\$ 65,443,962				

At September 30, 2020, the Fund had the following investments:

Investment Type	Credit Rating		Fair Market	Investment Maturity (in Years)			
	(Moody's)	(S & P's)		Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	Aaa-mf	AAAm	\$ 444,337	\$ 444,337	\$ -	\$ -	\$ -
			444,337	\$ 444,337	\$ -	\$ -	\$ -
Fixed income mutual funds	Not rated	Not rated	16,664,686				
Equity securities	Not rated	Not rated	32,715,566				
Commingled real estate funds	Not rated	Not rated	5,391,335				
Total investments			\$ 55,215,924				

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments that are held by the counterparty. The Fund's policy is to maintain investments in custodial accounts that identify securities held as assets of the Fund by registering securities in the name of the Fund.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Although the Fund's investment policy does not provide limitations as to maturities, the Fund minimizes risk of fair value losses in its fixed income portfolio due to rising interest rates by structuring its investment portfolio so that securities mature to meet ongoing cash requirements, thereby avoiding the need to sell securities in the open market prior to maturity; and by investing operating funds primarily in shorter-term securities or by cash flow projections.

Credit Risk: This is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization such as Moody's or Standard & Poor's. The Fund's investment policy states that the Fund's fixed income portfolio must have a weighted average quality of AA or better as measured by Standard & Poor's or Moody's and all bonds shall hold a rating in one of the three highest classifications by a major rating service. Equity investments must be traded on one or more of the recognized national exchanges. Money market deposits must have a rating of A1/P1 or its equivalent by a major credit rating service.

Foreign Currency Risk: For the year ended September 30, 2021, the Fund's total assets had no foreign currency risk exposure through investments in foreign companies.

Concentration of Credit Risk: This is the risk of loss attributable to the quantity of the Fund's investment in a single issuer. The Fund's investment policy limits investments in the stock of any one issuing company to 5% of the Fund's assets and to 5% of the outstanding capital stock of any issuing company. The Fund's investment policy limits investments in the bonds of any one issuing company to 3% of the Fund's assets. Furthermore, investments in corporate common stock and convertible bonds shall not exceed 60% of the Fund's investments at cost or 70% of the Fund's investments at market value; foreign securities shall not exceed 25% of the market value of the Fund's assets; and real estate investments shall not exceed 10% of the market value of the Fund's assets.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements: The Fund has the following recurring fair value measurements, broken into the fair value hierarchy, as of September 30, 2021:

<u>Investment</u>	<u>Fair Value Hierarchy</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income securities:				
Mutual funds - fixed income	\$ 20,433,039	\$ 20,433,039	\$ -	\$ -
Commingled real estate funds	6,052,894	-	-	6,052,894
Equity investments:				
Mutual funds - equity	38,600,845	38,600,845	-	-
Money market funds	357,184	357,184	-	-
Total investments at fair value level	\$ 65,443,962	\$ 59,391,068	\$ -	\$ 6,052,894

Fixed income securities and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities and equity investments 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. The real estate funds classified in Level 3 are valued using discounted cash flow techniques.

NOTE 4. FUND DISCLOSURES

Net Pension Liability (Asset) of the City: The components of the net pension (asset) liability of the City at September 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 60,561,162	\$ 57,446,547
Fund fiduciary net position	(65,404,889)	(55,434,805)
City's net pension liability (asset)	<u>\$ (4,843,727)</u>	<u>\$ 2,011,742</u>
Fund fiduciary net position as a percentage of the total pension liability	108.00%	96.50%

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 4. FUND DISCLOSURES (CONTINUED)

The required Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios immediately following the Notes to the Financial Statements presents multi-year trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2020 updated to September 30, 2021, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount Rate	7.00%
Investment rate of return	7.00%

Mortality Rate Healthy Active Lives:

Female: PubS.H-2010 for Employees, set forward one year.

Male: PubS.H-2010 for Employees, set forward one year.

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

Male: PubS.H-2010 for Healthy Retirees, set forward one year.

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees, set back one year.

Male: PubG.H-2010 for Healthy Retirees, set back one year.

Mortality Rates Disabled Lives:

80% PubG.H-2010 for Disabled Retirees/20% PubS.H-2010 for Disabled Retirees.

The most recent actuarial experience study used to review the other significant assumptions was dated May 10, 2017.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 4. FUND DISCLOSURES (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021 and 2020 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	7.5%
International Equity	8.5%
Broad Market Fixed Income	2.5%
Global Fixed Income	3.5%
Real Estate	4.5%
GTAA	3.5%

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 (asset) liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability (asset) - 2021	\$ 3,079,657	\$ (4,843,727)	\$ (11,367,302)
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability (asset) - 2020	9,752,611	2,011,742	(4,339,638)

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 4. FUND DISCLOSURES (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2021 and 2020, and the current sharing pattern of costs between employer and employee.

NOTE 5. RELATED PARTY TRANSACTIONS

A retired member of the Fund currently receiving benefits serves as the Administrator. The Administrator is paid quarterly administrative fees. Management believes that these transactions were consummated on terms equivalent to those that prevail in arm's length transactions. Administrative services expense in the amount of \$18,227 was reported for the year ended September 30, 2021, and \$18,239 for the year ended September 30, 2020.

NOTE 6. SUBSEQUENT EVENTS

The Fund has evaluated all subsequent events through February 23, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

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

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 998,065	\$ 900,497	\$ 917,681	\$ 904,670	\$ 1,264,321	\$ 1,693,631	\$ 1,716,153
Interest on total pension liability	4,016,731	3,803,540	3,566,668	3,351,560	3,620,964	3,400,658	3,048,515
Share plan allocation	244,296	186,174	169,797	164,503	126,129	121,775	126,215
Changes of benefit terms	-	-	(5,208)	-	-	174,592	-
Differences between expected and actual experience	(18,990)	250,384	864,392	876,960	(2,641,499)	(2,262,386)	555,367
Changes of assumptions	-	1,631,930	1,577,924	-	(831,381)	1,378,943	-
Contributions-buy back	-	-	-	-	-	2,808	-
Benefit payments, including refunds of employee contributions	(2,125,487)	(1,776,208)	(2,568,220)	(2,306,593)	(1,200,337)	(1,104,257)	(1,288,806)
Net change in total pension liability	3,114,615	4,996,317	4,523,034	2,991,100	338,197	3,405,764	4,157,444
Total pension liability, beginning	57,446,547	52,450,230	47,927,196	44,936,096	44,597,899	41,192,135	37,034,691
Total pension liability, ending	\$ 60,561,162	\$ 57,446,547	\$ 52,450,230	\$ 47,927,196	\$ 44,936,096	\$ 44,597,899	\$ 41,192,135
Plan fiduciary net position							
Contributions, employer	\$ 709,952	\$ 651,211	\$ 682,166	\$ 675,521	\$ 670,404	\$ 1,000,835	\$ 1,079,568
Contributions, state	494,296	436,173	419,796	414,503	376,129	371,775	376,215
Contributions, employee	418,083	383,491	401,719	397,806	394,793	529,101	554,392
Net investment income	10,548,464	4,625,187	1,880,144	4,318,358	4,557,086	2,867,698	430,037
Benefit payments, including refunds of employee contributions	(2,126,824)	(1,783,317)	(2,568,220)	(2,306,593)	(1,200,337)	(1,108,103)	(1,288,806)
Administrative expenses	(72,839)	(81,658)	(70,429)	(88,089)	(86,131)	(83,371)	(66,053)
Net change in plan fiduciary net position	9,971,132	4,231,087	745,176	3,411,506	4,711,944	3,577,935	1,085,353
Plan fiduciary net position, beginning	55,434,805	51,203,718	50,458,542	47,047,036	42,335,092	38,757,157	37,671,804
Plan fiduciary net position, ending	\$ 65,405,937	\$ 55,434,805	\$ 51,203,718	\$ 50,458,542	\$ 47,047,036	\$ 42,335,092	\$ 38,757,157
Net pension (asset) liability, ending	\$ (4,844,775)	\$ 2,011,742	\$ 1,246,512	\$ (2,531,346)	\$ (2,110,940)	\$ 2,262,807	\$ 2,434,978
Plan fiduciary net position as a percentage of the total pension liability	108.00%	96.50%	97.62%	105.28%	104.70%	94.93%	94.09%
Covered payroll	\$ 3,944,177	\$ 3,617,839	\$ 3,789,804	\$ 3,752,890	\$ 3,724,458	\$ 5,136,900	\$ 5,806,134
City's net pension (asset) liability as a percentage of covered payroll	-122.83%	55.61%	32.89%	-67.45%	-56.68%	44.05%	41.94%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

SCHEDULE OF CONTRIBUTIONS

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 959,952	\$ 901,211	\$ 932,165	\$ 925,520	\$ 920,402	\$ 1,250,835	\$ 1,353,147
Contributions in relation to the actuarially determined contributions	959,952	901,211	932,166	925,521	901,310	1,269,928	1,353,147
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 19,092</u>	<u>\$ (19,093)</u>	<u>\$ -</u>
Covered payroll	\$ 3,944,177	\$ 3,617,839	\$ 3,789,804	\$ 3,752,890	\$ 3,724,458	\$ 5,136,900	\$ 5,806,134
Contributions as a percentage of covered payroll	24.34%	24.91%	24.60%	24.66%	24.20%	24.72%	23.31%
Valuation date	10/1/2019						

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 New UAAL amortization are amortized over 15 years.
Mortality *Healthy Active Lives* :
Female: PubS.H-2010 for Employees, set forward one year.
Male: PubS.H-2010 for Employees, set forward on year.

Healthy Retiree Lives :
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 for Healthy Retirees, set forward one year.

Beneficiary Lives :
Female: PubS.H-2010 for Healthy Retirees.
Male: PubS.H-2010 for Healthy Retirees, set back one year.

Disabled Lives :
Female: 80% PubG.H-2010 for Disabled Retirees/20% PubS.H-2010 for Disabled Retirees.

All rates are projected generationally with Mortality Improvement Scale MP-2008. We feel this assumption sufficiently accommodates future mortality improvements.

Interest rate 7.0% per year compounded annually.

Retirement age	Service	Age	Assumed Rate
	<25	50-51	10.0%
		52-53	25.0%
		54-57	50.0%
		58+	100.0%
		51	50.0%
		52+	100.0%

This assumption was adopted in conjunction with the May 10, 2017 actuarial experience study.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

SCHEDULE OF CONTRIBUTIONS

Disability rates See table below. It is assumed that 75% of disablements are service related.
 Termination rates See table below.
 Salary increases

Service	Increase
<10	7.0%
10-14	5.5%
15-29	5.0%
20+	4.5%

Post retirement COLA This assumption was adopted with the May 10, 2017, actuarial experience study.
 3.0% from age 55 until 63.
 Payroll growth 0.00% per year. This assumption is supported given that the Plan is closed to new hires.

Asset valuation method Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric four year average market value return. It is possible that over time this technique will produce an insignificant bias above or below market value.

Disability rate table

Age	% Becoming Disabled During the Year
20	0.03%
30	0.04%
40	0.07%
50	0.18%

Termination rate table

Service	Age	Assumed Rate
<5	20-24	10.0%
	25-29	7.0%
	30-49	6.0%
	50-54	1.0%
	55+	0.1%
5+	20-44	6.0%
	45-49	5.0%
	50-54	1.0%
	55+	0.1%

This assumption was adopted with the May 10, 2017 actuarial experience study.

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

SCHEDULE OF PENSION INVESTMENT RETURN

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expenses	19.22%	9.11%	3.75%	9.32%	10.78%	7.24%	1.09%

OTHER SUPPLEMENTARY INFORMATION

**CITY OF NORTH PORT, FLORIDA,
FIREFIGHTERS' PENSION-LOCAL OPTION TRUST FUND**

**SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Administrative Expenses		
Accounting services	\$ 9,700	\$ 9,600
Actuarial services	33,250	35,538
Administrative services	18,227	18,239
Insurance	4,384	6,987
Legal services	6,828	8,817
Miscellaneous expenses	767	2,477
Total administrative expenses	<u>\$ 73,156</u>	<u>\$ 81,658</u>
Investment Expenses		
Custodial fees	\$ 33,025	\$ 27,869
Investment management fees	64,264	59,919
Performance monitoring fees	22,500	22,500
Total investment expenses	<u>\$ 119,789</u>	<u>\$ 110,288</u>

OTHER AUDITOR'S 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**

Board of Trustees
City of North Port, Florida
Firefighters' Pension–Local Option Trust Fund
North Port, 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 City of North Port, Florida, Firefighters' Pension–Local Option Trust Fund (the "Fund") as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Mauldin & Jenkins, LLC

Bradenton, Florida
February 23, 2022