

**MIAMI BEACH POLICE OFFICERS' RELIEF
AND PENSION FUND**

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2023

**MIAMI BEACH POLICE OFFICERS'
RELIEF AND PENSION FUND**
TABLE OF CONTENTS
SEPTEMBER 30, 2023

| | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| FINANCIAL STATEMENTS | |
| Statement of Fiduciary Net Position | 3 |
| Statement of Changes in Fiduciary Net Position | 4 |
| Notes to Financial Statements | 5-11 |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Administrative Expenses | 12 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Investment Returns | 13 |
| COMPLIANCE REPORT | |
| Independent Auditors' Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 14 |

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Miami Beach Police Officers' Relief and Pension Fund
Miami Beach, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Miami Beach Police Officers' Relief and Pension Fund (the "Fund"), which comprise the statement of fiduciary net position as of September 30, 2023, the related statement of changes in fiduciary net position for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund as of September 30, 2023 and the changes in fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Fund has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined as necessary to supplement, although not required to be a part of the financial statements.

Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of investment returns on page 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying schedule of administrative expenses on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2024, 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.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Miami, Florida
February 29, 2024

FINANCIAL STATEMENTS

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023

| <u>ASSETS</u> | |
|---|-----------------------------|
| Cash and cash equivalents | \$ 1,455,227 |
| Accrued investment income | 44,592 |
| Investments: | |
| Equity securities | 7,895,508 |
| Investments in fixed income | 2,565,324 |
| Real estate fund | 1,714,717 |
| Total investments | <u>12,175,549</u> |
| Prepaid insurance | <u>3,409</u> |
| Total assets | <u>13,678,777</u> |
| <u>LIABILITIES</u> | |
| Accounts payable | <u>74,487</u> |
| Total liabilities | <u>74,487</u> |
| <u>NET POSITION</u> | |
| Net position restricted for plan benefits | \$ <u><u>13,604,290</u></u> |

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

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

ADDITIONS:

| | |
|---|------------------|
| Contributions from the State of Florida | \$ 904,952 |
| Rollover | 500,000 |
| Investment income: | |
| Net increase in fair value of investments | 515,696 |
| Interest and dividends | 340,850 |
| Less investment expenses | <u>(42,832)</u> |
| Net investment income | <u>813,714</u> |
| Total additions | <u>2,218,666</u> |

DEDUCTIONS:

| | |
|-------------------------------|----------------|
| Benefits paid to participants | 589,446 |
| Administrative expenses | <u>72,668</u> |
| Total deductions | <u>662,114</u> |

Change in net position 1,556,552

Net position restricted for plan benefits:

| | |
|-------------------|-----------------------------|
| Beginning of year | <u>12,047,738</u> |
| End of year | <u>\$ <u>13,604,290</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 – PLAN DESCRIPTION

The following description of the Miami Beach Police Officers' Relief and Pension Fund ("the Fund") provides only general information. Participants should refer to the Fund documents for a more complete description of the Fund's provisions. Participants can also refer to Chapter 185 of the Florida Statutes for a comprehensive description of Municipal Police Pensions.

General

The Fund is a qualified defined contribution plan covering all sworn law enforcement personnel of the City of Miami Beach Police Department. It is also referred to as a "Local Law" plan in accordance with Section 185 of the Florida Statutes. It is a separate and supplemental savings/retirement plan to the regular defined benefit plan that these participants are also receiving from the City of Miami Beach Police Department.

Management of the Fund is vested in the Board of Trustees which consists of five active duty police officers from the City of Miami Beach Police Department. As of September 30, 2023, the Fund had 499 participants.

Contributions

Annual contributions are made from the State of Florida through the City of Miami Beach each year under Chapter 185 Florida Statutes - Municipal Police Pensions. These plans are allocated to individual accounts in accordance with the underlying statutes. The source of these contributions is from an excise tax of .85% of automobile liability and property damage insurance premiums that the State of Florida receives from insurance companies covering property located within the City of Miami Beach. The Fund is non-contributory for participants. Effective for the fiscal year ended September 30, 2023, the Fund is authorized to accept direct rollovers of funds from other qualified plans. During the fiscal year ended September 30, 2023, the Fund received \$500,000 in assets transferred from another qualified plan.

Participants' Accounts

Participants must have 10 years of service with the Miami Beach Police Department to qualify for benefits. Each participant's account is credited with an allocation of the (a) State contribution and (b) net plan earnings or (loss). Allocation of the State contribution is based on length of service which is ascribed as the number of shares earned as of the end of any plan year. Net earnings from interest, dividends, as well as realized and unrealized gains (or losses) on the investments owned by the Fund, less administrative expenses, are allocated based on a proportionate share of the participants' dollar account balances. The vested benefit amount to which a participant is entitled is the benefit that can be provided from the participant's account balance as of the end of a plan year.

If a participant were to die while on active duty or retire due to disability under any other pension plan of the City, his or her entire account would be 100% vested.

Forfeitures

Participants who are terminated from the Fund prior to attaining vesting rights shall forfeit their account balance. Forfeitures are allocated to the remaining participants' accounts based on the same basis as the Chapter 185 premium tax allocation according to the number of shares credited to the member. Forfeitures for the fiscal year ended September 30, 2023 amounted to \$1,962.

Payment of Benefits

On retirement from service, a participant receives a lump-sum amount equal to the value of his or her account. Participants may elect not to withdraw, or to partially withdraw, his or her retirement account. These accounts will earn investment income until they are fully distributed. The participants retain the right to maintain their account balance at time of retirement, but they must take the required minimum distributions (RMD) under the Internal Revenue Code rules. Rollover distributions to eligible qualified retirement accounts are allowed at time of retirement. Benefits attributable to officers who leave prior to completing ten years are forfeited and allocated in the same manner as stated above.

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 – PLAN DESCRIPTION (continued)

10-Year-Certain-And-Life-Thereafter Benefit Option

On November 4, 2003 the City of Miami Beach held a special election. In Question "G" therein, the Fund was amended to include a new benefit for its participants in the form of allowing them to designate a beneficiary to receive optional survivor benefits, and to provide a lifetime benefit for members/participants with a minimum 10-year period as the normal form of benefit – an annuity. That benefit is being managed by the City Pension Plan for Firefighters and Police Officers of the City of Miami Beach, and is contained in the City's Special Acts, Article IX. The premium for this new benefit was \$70,669 for the fiscal year ended September 30, 2023 which was paid by the Fund and deducted from the gross contribution of plans of \$975,621, from the State of Florida, resulting in a net contribution of \$904,952 available for allocation to the participants. This net contribution is then allocated to all eligible, active plan participants based upon their respective number of shares 'earned' as of the end of the plan year.

Investment Performance and Guidelines

Once every three years, the Fund is required to obtain an independent review of its investment portfolio and the results of its investment policies as administered by its money managers. The Fund retains an independent investment consultant that reports to the Board quarterly to satisfy this requirement. The investment policy statement was last amended in August 2023.

Termination of the Fund

Although the Fund's Board of Trustees has not expressed any intention of terminating the Fund, the Florida State Statutes provide specific provisions for the immediate vesting of the participant accounts and the board is responsible for the subsequent disposition or distribution of the Fund assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. These financial statements are prepared in accordance with generally accepted accounting principles in the United States as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body establishing governmental accounting and financial reporting principles. Contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the Fund. Interest and dividends are recorded as earned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenses reported in the financial statements and accompanying notes. Although those estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Concentrations of Risks

Cash

Financial instruments that potentially subject the Fund to credit risk include cash deposits with financial institutions. Accounts at each financial institution are insured for up to \$250,000 per Fund member by the U.S. Federal Deposit Insurance Corporation (FDIC). At various times during the year, the Fund may have deposits in these financial institutions in excess of federally insured limits; however, the Fund maintains its cash with high quality financial institutions, which management believes limits these risks. At September 30, 2023, the Fund had approximately \$922,000 in cash deposits in excess of federally insured limits.

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Fund provides for investments in various U.S. and foreign securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Accounts at brokerage firms are insured up to \$500,000, with a limit of \$250,000 for cash by the Securities Investor Protection Corporation (SIPC). Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements. For investments in excess of 5% of the total investments, see Note 8.

The Fund maintains a major portion of its investments in two custodial trust accounts. These accounts are subject to varying degrees of market risk and credit risk. The custodial investment accounts are managed by two separate investment managers who are employed by professionally certified investment advisory firms. See Note 3 for concentrations within the Fund's investments assets.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Fund limits its credit risk by limiting its investments in fixed income securities to U.S. Government and agency securities or corporate bonds which are in the highest four rating categories.

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All investments in publically traded securities are held by a master custodian in the Fund's name.

Contributions

Contributions from the State of Florida are not consistent from year to year, can vary considerably, and may be dependent upon changes in the manner and/or timing of information reporting.

Valuation of Investments and Income Recognition

The Fund's investments are reported at fair value. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). The Fund's management determines the Fund's valuation policies utilizing information provided by the investment advisers, custodians and the real estate fund. (See Note 5)

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

Administrative Expenses

Investment management and administrative expenses incurred by the Fund are paid from the Fund assets.

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS

The Fund's policy in regard to the allocation of invested assets is established and may be amended by the Board. Fund assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension fund. The investment policy statement was last amended in August 2023. The following was the Board's adopted asset allocation policy as of September 30, 2023:

| <u>Type of Investment</u> | <u>Target Allocation</u> |
|---------------------------|--------------------------|
| Equities | 58% |
| Fixed income | 22% |
| Real estate | 15% |
| Cash and cash equivalents | 5% |

All investments are non-participant directed and at September 30, 2023, are composed of the following:

| | <u>Cost</u> | <u>Fair Value</u> |
|-------------------------------|----------------------|----------------------|
| Money market account | \$ 282,831 | \$ 282,832 |
| Government and agencies bonds | 1,226,855 | 1,123,602 |
| Corporate bonds | 1,513,676 | 1,441,722 |
| Corporate stocks | 6,680,349 | 7,322,681 |
| Equity funds | 602,130 | 572,827 |
| Real estate fund | 1,859,743 | 1,714,717 |
| | <u>\$ 12,165,584</u> | <u>\$ 12,458,381</u> |

During the fiscal year ended September 30, 2023, the Fund's investments, which were bought, sold, and held, experienced the following net realized and unrealized gains and losses:

Net appreciation (depreciation) in fair value:

| | <u>Realized</u> | <u>Unrealized</u> |
|------------------|---------------------|-------------------|
| Corporate bonds | \$ (205,977) | \$ (1,337,323) |
| Corporate stocks | (17,645) | 1,893,687 |
| Equity funds | - | 570,696 |
| Real estate fund | 599 | (388,341) |
| | <u>\$ (223,023)</u> | <u>\$ 738,719</u> |

The Board of Trustees determines the Fund's investment policy. The policy has been designed by the Board to maximize the Fund's asset value, while assuming a risk that is consistent with the Board's risk tolerance. As is prudent, the Board has adopted a policy to diversify investment risk among several institutionally acceptable asset classes including equity securities, fixed income (bonds, debentures and other corporate obligations), and real estate.

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less than 1</u> | <u>1 to 5</u> | <u>6 to 10</u> | <u>More than 10</u> |
|------------------------|---------------------|--------------------|-------------------|-------------------|---------------------|
| Corporate bonds | \$ 1,441,722 | \$ - | \$ - | \$ 764,373 | \$ 677,349 |
| U.S. agencies | 285,755 | - | - | 144,400 | 141,355 |
| U.S. treasuries | 837,847 | - | 436,787 | - | 401,060 |
| Totals | <u>\$ 2,565,324</u> | <u>\$ -</u> | <u>\$ 436,787</u> | <u>\$ 908,773</u> | <u>\$ 1,219,764</u> |

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (continued)

The term "credit risk" is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Fund limits its credit risk by limiting its investments in fixed income securities to U.S. Government and agency securities or corporate bonds which are in the highest four rating categories. The Fund's investments in corporate bonds, U.S. treasuries and U.S. agencies were rated by Moody's Investors Services as follows:

| <u>Rating</u> | <u>Fair Value</u> |
|---------------|---------------------|
| Aaa | \$ 1,319,477 |
| Aa2 | 96,829 |
| Aa3 | 95,033 |
| A1 | 485,899 |
| A2 | 98,694 |
| A3 | 469,392 |
| Total | <u>\$ 2,565,324</u> |

NOTE 4 – RISKS AND UNCERTAINTIES

The Fund invests in a number of investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the accompanying financial statements.

NOTE 5 – FAIR VALUE MEASUREMENTS

The fair value measurements framework under accounting standards for governmental entities provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has specified (contractual) term, the level 2 input must be observable for the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. There have been no changes in the methodologies used at September 30, 2023.

Common stocks: Valued at the closing price reported on the corresponding exchange.

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 5 – FAIR VALUE MEASUREMENTS (continued)

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

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

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

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

Methods used in determining fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the Fund's fair value hierarchy for investments at fair value as of September 30, 2023:

| Investment Category | Fair Value | Fair Value Measurements Using | | |
|--|----------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
| Domestic equities | \$ 7,895,508 | \$ 7,895,508 | \$ - | \$ - |
| Corporate bonds | 1,441,722 | 1,441,722 | - | - |
| U.S. government and agencies bonds | 1,123,602 | 1,123,602 | - | - |
| Total investments by fair value level | <u>\$ 10,460,832</u> | <u>\$ 10,460,832</u> | <u>\$ -</u> | <u>\$ -</u> |

Investments measured at
the net asset value (NAV)(a)

| | |
|---------------------------------------|----------------------|
| Real estate fund | <u>1,714,717</u> |
| Total investments measured at the NAV | <u>1,714,717</u> |
| Money market funds (exempt) | <u>282,832</u> |
| Total investments | <u>\$ 12,458,381</u> |

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

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 5 – FAIR VALUE MEASUREMENTS (continued)

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

Investments Measured at the NAV

| | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency (if Currently Eligible)</u> | <u>Redemption Notice Period</u> |
|--|---------------------|---------------------------------|---|-------------------------------------|
| Real estate fund(1) | \$ 1,714,717 | \$ - | Quarterly | 10 Days |
| Total investments measured at the NAV | <u>\$ 1,714,717</u> | <u>\$ -</u> | | |

(1) Real estate fund: This fund is an open-end, commingled real-estate fund consisting primarily of real estate properties in the multifamily, industrial, office, retail and hotel sector. The investment is valued at NAV and redemption requests must be received by the fund 10 days prior to quarter-end.

NOTE 6 – 10% HOLD BACK

In early 2020, upon a full distribution request by a participant, the Fund transitioned from the prior stop loss procedure to simply withholding 10% of the participant's last posted account balance, to account for the crediting of earnings or losses to the Fund.

NOTE 7 – INCOME TAXES

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

In March 2015, the Fund received a favorable determination letter from the IRS. In June 2018, the City of Miami Beach approved the changes to the applicable pension ordinance which were approved by the IRS.

NOTE 8 – REAL ESTATE FUND

The Real Estate Fund is an open-end, commingled real estate investment fund organized for the objective and purpose of making investments in real estate assets; owning managing, supervising and disposing of such investments through its subsidiaries.

The Real Estate Fund's valuation was \$1,714,717 at September 30, 2023, which represented approximately 14% of the Fund's total investments.

Under the real estate fund's contractual agreement, the Fund has the right to request redemption and this request must be received by the fund 10 days prior to quarter-end. The receipt of this redemption may take as long as 180 days for the Fund to receive the funding.

SUPPLEMENTARY INFORMATION

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

ADMINISTRATIVE EXPENSES:

| | |
|-----------------------------------|------------|
| Third party administrator | \$ 22,176 |
| Conferences, education & seminars | 17,852 |
| Accounting and audit | 13,400 |
| Legal fees | 10,000 |
| Insurance | 5,639 |
| Travel | 3,226 |
| Office expense | <u>375</u> |

| | |
|--------------------------------------|-------------------------|
| TOTAL ADMINISTRATIVE EXPENSES | <u>\$ 72,668</u> |
|--------------------------------------|-------------------------|

REQUIRED SUPPLEMENTARY INFORMATION

MIAMI BEACH POLICE OFFICERS' RELIEF AND PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

| Year Ended September 30 | Annual money- weighted rate of return net of investment expense |
|----------------------------|---|
| 2023 | 6.65% |
| 2022 | -8.07% |
| 2021 | 17.85% |
| 2020 | 14.64% |
| 2019 | 6.85% |
| 2018 | 10.86% |
| 2017 | 7.75% |
| 2016 | 8.18% |
| 2015 | 1.76% |
| 2014 | 11.36% |

COMPLIANCE SECTION



CABALLERO FIERMAN
LLERENA + GARCIA LLP
accountants | advisors

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

To the Board of Trustees
Miami Beach Police Officers' Relief and Pension Fund
Miami Beach, 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 Miami Beach Police Officers' Relief and Pension Fund (the "Fund"), as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated February 29, 2024.

Report on 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 opinions 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 or significant deficiencies may exist that were not identified.

Report on 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.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Miami, Florida
February 29, 2024