

**DEERFIELD BEACH  
MUNICIPAL FIREFIGHTERS'  
PENSION TRUST FUND**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

**DEERFIELD BEACH  
MUNICIPAL FIREFIGHTERS'  
PENSION TRUST FUND**

YEAR ENDED SEPTEMBER 30, 2019

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DE LA TORRE · TARABOULOS  
&  
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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
Deerfield Beach Municipal Firefighters' Pension Trust Fund

We have audited the accompanying financial statements of the Deerfield Beach Municipal Firefighters' Pension Trust Fund, which comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Deerfield Beach Municipal Firefighters' Pension Trust Fund as of September 30, 2019, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

**Other Matters**

*Prior Year Comparative Information*

We have previously audited the Deerfield Beach Municipal Firefighters' Pension Trust Fund's 2018 financial statements, and our report dated March 5, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 23-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and 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 audited standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2020, on our consideration of the Deerfield Beach Municipal Firefighters' Pension Trust 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 Deerfield Beach Municipal Firefighters' Pension Trust 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 Deerfield Beach Municipal Firefighters' Pension Trust Fund's internal control over financial reporting and compliance.

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

Weston, Florida  
March 9, 2020

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management's Discussion and Analysis (MD&A) of the Deerfield Beach Municipal Firefighters' Pension Trust Fund's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2019. Please read it in conjunction with the Plan's financial statements, which immediately follow.

### *Overview of the Financial Statements*

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

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

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

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

### *Financial Highlights*

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

- Total net position restricted for pensions was \$121,106,804, which was 2% greater than the 2018 total net position restricted for pensions.
- Total contributions for the year were \$7,491,417, which was 10% greater than the 2018 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Participant contributions were 9% of their compensation.
- Total interest and dividend income was \$3,525,780, which was 19% greater than the 2018 income.
- Net investment income was \$3,253,915, which was 60% lower than the 2018 investment income.
- Total benefits paid directly to retirees were \$7,639,054, which was 4% greater than the benefits paid directly to retirees during 2018.

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Statement of Fiduciary Net Position*

The following condensed comparative statement of fiduciary net position is a snap shot of account balances at the fiscal year end of the Plan. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for Plan benefits.

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

- Fiduciary net position at September 30, 2019 was \$121,106,804, a 2% increase from fiduciary net position at September 30, 2018.
- Total investments at September 30, 2019 were \$121,030,275, a 2% increase from the investments at September 30, 2018.

The table below presents condensed comparative statements of fiduciary net position as of September 30:

	2019	2018	% Change
Receivables	\$ 122,258	\$ 164,185	(26%)
Investments, at fair value	121,030,275	119,062,689	2%
Total assets	121,152,533	119,226,874	2%
Accounts payable - purchase of investments	45,729	12,480	266%
Net position restricted for pensions	\$ 121,106,804	\$ 119,214,394	2%

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

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

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

- Revenues (additions to the fiduciary net position) for the Plan were \$10,745,332, which was made up of total contributions of \$7,491,417, plus net investment income of \$3,253,915.
- Expenses (deductions from the fiduciary net position) decreased from \$9,420,751 during 2018 to \$8,852,921 during 2019.

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

The table below presents a condensed comparative of the changes in fiduciary net position for the year ended September 30:

	2019	2018	% Change
Total contributions	\$ 7,491,417	\$ 6,837,640	10%
Net investment income	3,253,915	8,197,285	(60%)
Total additions	10,745,332	15,034,925	(29%)
Total deductions	8,852,921	9,420,751	(6%)
Net increase	1,892,411	5,614,174	(66%)
Net position restricted for pensions - beginning	119,214,393	113,600,220	5%
Net position restricted for pensions - ending	\$ 121,106,804	\$ 119,214,394	2%

### *Asset Allocation*

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

Type of Investment	Investment policy	Actual Allocation
Fixed income	12%-60%	18.3%
International equity	10%-25%	17.6%
Large-cap core	5%-12%	7.4%
Large-cap growth	5%-12%	7.9%
Mid-cap core	5%-9%	7.4%
Small-cap value	3%-7%	4.4%
Convertibles	6%-11%	9.1%
Defensive equity 50/50	3%-10%	8.1%
Hedge funds	0.00%	0.8%
Infrastructure	2%-7%	1.8%
Real estate	0%-17%	12.1%
Cash and cash equivalents	0%-2%	5.1%

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

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

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Investment Activities*

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making Plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended on May 20, 2019.

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

### *Financial Analysis Summary*

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

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

This financial analysis is designed to provide the Board, Plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the Plan:

Administrator – FHATPA  
c/o Deerfield Beach Municipal Firefighters' Pension Trust Fund  
6861 SW 196<sup>th</sup> Ave, Suite 402  
Fort Lauderdale, FL 33332

**DEERFIELD BEACH**  
**MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**

STATEMENT OF FIDUCIARY NET POSITION

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

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>RECEIVABLES:</b>		
Accrued investment income	\$ 122,258	\$ 132,793
State contributions receivable	-	9,609
Accounts receivable - sale of investments	-	21,783
<b>TOTAL RECEIVABLES</b>	<u>122,258</u>	<u>164,185</u>
<b>INVESTMENTS, AT FAIR VALUE:</b>		
Equity securities	64,190,407	66,050,036
Fixed income mutual funds	14,782,214	15,062,499
Real estate funds	14,208,886	10,957,420
Corporate bonds	7,770,265	7,258,647
Government securities	9,575,467	13,109,999
Money market funds	6,043,426	2,074,495
Self directed DROP accounts	3,535,003	3,506,700
Hedge fund	924,607	1,042,893
<b>TOTAL INVESTMENTS, AT FAIR VALUE</b>	<u>121,030,275</u>	<u>119,062,689</u>
<b>TOTAL ASSETS</b>	<u>121,152,533</u>	<u>119,226,874</u>
<b>LIABILITIES</b>		
<b>ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS</b>	<u>45,729</u>	<u>12,480</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
<b>NET POSITION RESTRICTED FOR DEFINED BENEFITS</b>	107,537,031	105,492,797
<b>NET POSITION RESTRICTED FOR DROP BENEFITS</b>	12,500,832	12,603,761
<b>NET POSITION RESTRICTED FOR SHARE BENEFITS</b>	<u>1,068,941</u>	<u>1,117,836</u>
<b>TOTAL NET POSITION RESTRICTED FOR PENSIONS</b>	<u>\$ 121,106,804</u>	<u>\$ 119,214,394</u>

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

**DEERFIELD BEACH**  
**MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

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

	<u>2019</u>	<u>2018</u>
<b>ADDITIONS:</b>		
Contributions:		
Employer	\$ 5,988,490	\$ 5,307,928
Employees	853,718	901,704
Chapter 175	<u>649,209</u>	<u>628,008</u>
Total contributions	<u>7,491,417</u>	<u>6,837,640</u>
Investment income:		
Net appreciation in fair value of investments	100,796	5,669,409
Interest and dividend income	<u>3,525,780</u>	<u>2,953,444</u>
Total investment income	3,626,576	8,622,853
Less: investment expenses	<u>372,661</u>	<u>425,568</u>
Net investment income	<u>3,253,915</u>	<u>8,197,285</u>
 TOTAL ADDITIONS	 <u>10,745,332</u>	 <u>15,034,925</u>
<b>DEDUCTIONS:</b>		
Benefit payments	7,639,054	7,319,496
DROP distributions	890,804	1,802,735
Share account distributions	71,725	81,956
Refund of contributions	-	17,570
Administrative expenses	<u>251,338</u>	<u>198,994</u>
TOTAL DEDUCTIONS	<u>8,852,921</u>	<u>9,420,751</u>
 <b>NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS</b>	 1,892,411	 5,614,174
 <b>NET POSITION RESTRICTED FOR PENSIONS - BEGINNING</b>	 <u>119,214,393</u>	 <u>113,600,220</u>
 <b>NET POSITION RESTRICTED FOR PENSIONS - ENDING</b>	 <u>\$ 121,106,804</u>	 <u>\$ 119,214,394</u>

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

# **DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Investment Valuation and Income Recognition***

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

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

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

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

#### ***Comparative Information***

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail in the notes to financial statements to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the year ended September 30, 2018, from which the information was derived. Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

### **NOTE 2. DESCRIPTION OF THE PLAN**

The following description of the Deerfield Beach Municipal Firefighters' Pension Trust Fund (the Plan) provides only general information. Participants should refer to the City of Deerfield Beach, Florida's (the City) ordinance for more detailed and comprehensive information.

The Plan was a single-employer defined benefit plan covering firefighters of the City, who were eligible to participate in the Plan prior to October 1, 2011 and who fulfilled the prescribed eligibility requirements. The Plan was established by the City in accordance with the City ordinance and state statutes. Effective October 1, 2011, the City contracted with the Broward Sheriff Office for firefighter services at which time, the Plan became closed to new participants.

**DEERFIELD BEACH**  
**MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

(Continued)

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

***General***

Management of the Plan is vested in the Board, which consists of five members, two of whom, unless otherwise prohibited by law, shall be legal residents of the municipality, who shall be appointed by the legislative body of the municipality, and two of whom shall be firefighters as defined in F.S. §175.032, who shall be elected by a majority of the firefighters who are participants in the Plan.

The fifth member shall be chosen by a majority of the previous four members, and such person's name shall be submitted to the City commission.

***Plan Participation***

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

Inactive Plan participants or beneficiaries currently receiving benefits	132
Active Plan participants	<u>68</u>
Total	<u>200</u>

***Eligibility***

Each duly appointed firefighter for the City was eligible for participation.

***Benefits***

The Plan provides normal retirement, disability retirement and death benefits. The benefit provisions are established and may be amended under the authority of City Ordinance.

***Normal Benefits***

Normal retirement age is age 52 with 10 years of credited service or any age with 20 years of credited service. The Plan provides a normal retirement benefit equal to 3% of the participant's average final monthly compensation for the first 10 years of credited service and 3.25% of the participant's average final monthly compensation for all subsequent years of credited service. The accrued benefit may not be more than 90% of average final monthly compensation.

***Early Retirement Benefits***

Early retirement age is age 47 with 10 years of credited service. The early retirement benefit is the normal retirement benefit reduced by 1% for each year the commencement of benefits precedes the normal retirement time.

**DEERFIELD BEACH**  
**MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

(Continued)

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

***Variable Benefit***

The Plan provides a variable benefit which may be paid depending upon the investment return that the Plan has earned compared to the assumed rate of return and provided that there is an overall cumulative actuarial gain. The maximum amount of a variable benefit increase in a single year is 4% of a Plan retiree's current benefit.

***Disability Benefits***

The benefit payable to a participant totally and permanently disabled not in the line of duty after having earned 10 years of credited service prior to retirement date is the greater of 1) the normal retirement benefit accrued to the date of disability or 2) 25% of average final compensation as of the date of disability.

Participants are not required to meet the 10 years of credited service criteria for a line of duty disability. The benefit payable to a participant totally and permanently disabled in the line of duty is the greater of 1) the normal retirement benefit accrued to the date of disability or 2) 42% of average final compensation as of the date of disability.

***Death Benefits***

The beneficiary of a participant that dies after completion of 10 years of credited service will be paid the normal retirement benefit accrued to the date of death. The beneficiary of a participant that dies prior to completing 10 years of credited service will be refunded the participant's accumulated contributions with interest.

***Deferred Retirement Option Plan***

Participants who are eligible to receive a service retirement pension and have attained the earlier of age 47 or normal retirement age, as described above, are eligible for the Deferred Retirement Option Plan (DROP).

Upon entering the DROP the participant's accrued benefit is frozen. An account is established for each participant in the DROP, which is then credited with the participant's normal retirement benefit plus or minus investment earnings or losses. Investment earnings or losses are credited or debited to the participant's account at either the same rate realized as the Plan or at the rate realized by the self-directed investments of the participant's account.

***Share Plan Benefits***

An account has been established for each participant, both active and retired, to accumulate a possible share of excess Chapter 175 monies. Should the Chapter 175 monies received in a year exceed a base amount of \$618,479, each person that was a participant as of October 1st in the year for which the monies are received, receives an equal share of the excess. Each participant's account is also debited or credited with the same rate of investment earnings or losses achieved by the Plan as a whole.

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

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

#### *Funding*

All participants are required to contribute 9% of pretax earnings. Pursuant to Florida law, the City is ultimately responsible for making sure the Plan remains actuarially sound. Therefore, each year, the City must contribute an amount determined by the Board in conjunction with their actuary to be sufficient, along with the employee's contribution and the State contribution, to fund the benefits under the Plan. The employer's contribution will vary from year to year.

Pursuant to Chapter 175, Florida Statutes, the City imposes a 1.85% tax on property insurance premiums paid to insure real or personal property within its corporate limits. The proceeds of this tax are contributed to this Plan as part of the City's contribution.

#### *Rate of Return*

For the year ended September 30, 2019, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 2.70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### NOTE 3. INVESTMENTS

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The investment policy statement was last amended in May 2019. The following was the Board's adopted asset allocation policy as of September 30, 2019:

<u>Type of Investment</u>	<u>Target Allocation</u>
Fixed income	12%-60%
International equity	10%-25%
Large-cap core	5%-12%
Large-cap growth	5%-12%
Mid-cap core	5%-9%
Small-cap value	3%-7%
Convertibles	6%-11%
Defensive equity 50/50	3%-10%
Infrastructure	2%-7%
Real estate	0%-17%
Cash and cash equivalents	0%-2%

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

### NOTE 3. INVESTMENTS (Continued)

During the year ended September 30, 2019 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$100,796 (reported as net appreciation in fair value of investments in the accompanying statement of changes in fiduciary net position) as follows:

Common stocks	\$ 206,979
Corporate bonds	739,457
Government securities	454,460
Real estate	(281,968)
Hedge Funds	(14,389)
Master limited partnerships	(287,278)
Mutual funds	<u>(716,465)</u>
Total	<u>\$ 100,796</u>

The Plan's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan's investments in corporate bonds, fixed income mutual funds and government securities had maturities 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	\$ 7,770,265	\$ 300,303	\$ 5,714,927	\$ 1,603,881	\$ 151,154
U.S. treasuries	5,958,320	-	714,191	2,529,150	2,714,979
Fixed income mutual funds	14,782,214	2,703,014	6,777,208	4,733,083	568,909
U.S. agencies	<u>3,617,147</u>	<u>278</u>	<u>913,761</u>	<u>896,968</u>	<u>1,806,140</u>
Totals	<u>\$32,127,946</u>	<u>\$ 3,003,595</u>	<u>\$14,120,087</u>	<u>\$ 9,763,082</u>	<u>\$ 5,241,182</u>

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# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

### NOTE 3. INVESTMENTS (Continued)

The fixed income portfolio must be comprised of securities rated within the top four grades by Moody's or Standard & Poor's ratings services. The Plan's fixed income securities were rated by Moody's Investors Services as follows:

<u>Rating</u>	<u>Fair Value</u>
Aaa	\$ 9,726,620
Aa1	312,585
Aa2	134,689
A1	5,931,908
A2	798,024
A3	365,611
Baa1	1,891,497
Ba1	1,983,456
B1	1,570,494
Caa1	2,841,955
Unrated Government Securities	<u>6,571,107</u>
Total	<u>\$ 32,127,946</u>

The Plan limits investment in the securities of any one issuer, other than the U.S. Government and its agencies, to no more than 5% of net fiduciary position. The Plan had no investment in excess of 5% of net fiduciary net position at September 30, 2019.

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than US Dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan owns participation in international equity funds as well as individual securities.

The investment policy limits the foreign investments to no less than 10% and no more than 25% of any manager's total Plan portfolio. As of year-end, foreign investments were 17.6% of total investments.

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# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

### NOTE 4. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

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

### NOTE 5. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market as follows:

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

Level 2- Inputs to the valuation methodology are based upon observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3- Inputs to the valuation methodology are based upon unobservable inputs.

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

Common stock, master limited partnerships, and REITs: Valued at the closing price reported on the New York Stock Exchange.

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

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

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

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

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

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

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

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

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$ 22,778,428	\$ 22,778,428	\$ -	\$ -
Master limited partnerships	2,092,329	2,092,329	-	-
Mutual funds	<u>39,319,650</u>	<u>39,319,650</u>	-	-
Total equity securities	<u>64,190,407</u>	<u>64,190,407</u>	-	-
Debt securities:				
Corporate bonds	7,770,265	-	7,770,265	-
U.S. treasury securities	5,958,320	5,958,320	-	-
U.S. agency securities	3,617,147	-	3,617,147	-
Fixed income mutual funds	<u>14,782,214</u>	<u>14,782,214</u>	-	-
Total debt securities	<u>32,127,946</u>	<u>20,740,534</u>	<u>11,387,412</u>	-
Self directed DROP accounts	<u>3,535,003</u>	-	<u>3,535,003</u>	-
Total investments by fair value level	<u>\$ 99,853,356</u>	<u>\$ 84,930,941</u>	<u>\$ 14,922,415</u>	<u>\$ -</u>
<u>Investments measured at the net asset value (NAV)</u> <sup>(a)</sup>				
Real estate funds	14,208,886			
Hedge fund	<u>924,607</u>			
Total investments measured at the NAV	<u>15,133,493</u>			
Money market funds (exempt)	<u>6,043,426</u>			
Total investments	<u>\$ 121,030,275</u>			

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

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

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

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

<u>Investments Measured at the NAV</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate fund <sup>(1)</sup>	\$ 10,156,487	\$ -	Quarterly	90 Days
Real estate fund <sup>(2)</sup>	4,052,399	-	Quarterly	10 Days
Hedge fund <sup>(3)</sup>	<u>924,607</u>	<u>-</u>	Quarterly	90 Days
Total investments measured at the NAV	<u>\$ 15,133,493</u>	<u>\$ -</u>		

- (1) Real estate fund: The fund is an open-ended real estate investment fund investing primarily in core institutional office, retail, industrial, and multi-family properties located throughout the United States. The investment is valued at NAV and its redemptions must be received by the fund 90 days prior to quarter end.
- (2) Real estate fund: The fund is an open-end diversified core real estate commingled fund that invests primarily in core institutional office, retail, industrial, and multi-family properties located throughout the United States. The investment is valued at NAV and its redemptions must be received by the fund 10 days prior to quarter end.
- (3) Hedge fund: The fund is a multi-strategy fund of hedge funds that aims to pursue varying strategies in order to diversify risk and reduce volatility. The fund is a diversified portfolio offering investment solutions through activist long/short equity hedge funds, event driven hedge funds and multi-strategy hedge funds. The investment is valued at NAV and a holder of capital, upon at least 90 days prior written notice, may request to redeem a minimum of \$100,000 of their capital shares, as of the close of business on the last business day of each calendar year, by giving irrevocable written notice.

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# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

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

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

Total pension liability	\$ 160,290,545
Plan fiduciary net position	<u>121,106,804</u>
Net pension liability	<u>\$ 39,183,741</u>
Plan fiduciary net position as a percentage of the total pension liability	75.55%

The total pension liability was determined by an actuarial valuation with a measurement date as of September 30, 2019 using certain actuarial assumptions, the most significant of which were 7.5% net of investment expense, including inflation for the investment rate of return, 5.2% to 11%, including inflation for projected salary increases and 2.42% for inflation.

Mortality rates were RP-2000 mortality tables with white and blue collar adjustments for both males and females fully generational using Scale BB from the July 1, 2016, 2017, and 2018 FRS special risk actuarial valuation.

The long-term expected rate of return on 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 Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2019 (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36.00%	7.31%
International equity	15.00%	2.71%
Bonds	19.00%	3.61%
Convertibles	9.00%	6.29%
Private real estate	15.00%	4.91%
Infrastructure	5.00%	8.07%
Cash	<u>1.00%</u>	5.44%
Total	<u>100.00%</u>	

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019  
(Continued)

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

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan participant contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the participant rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the Plan was calculated using the discount rate of 7.50%. It was also calculated using a discount rate that was 1-percentage-point lower (6.50%) and 1-percentage-point higher (8.50%) and the different computations were compared.

	1% decrease (6.5%)	Current discount rate (7.5%)	1% increase (8.5%)
Net pension liability	\$56,253,694	\$39,183,741	\$25,018,847

### NOTE 7. INCOME TAXES

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

On January 21, 2016, the Plan obtained its most recent determination letter in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with applicable requirements of Internal Revenue Code 401(a), and therefore, no provision for federal income taxes has been made.

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

### NOTE 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Plan through March 9, 2020, the date the financial statements were available to be issued.

**DEERFIELD BEACH  
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

**DEERFIELD BEACH**  
**MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**

SCHEDULE OF ADMINISTRATIVE EXPENSES

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

	<u>2019</u>	<u>2018</u>
<b>ADMINISTRATIVE EXPENSES:</b>		
Accounting	\$ 9,625	\$ 9,345
Actuarial fees	75,125	20,875
Administrative fees	67,514	67,484
Conferences	13,437	12,838
Insurance	12,190	12,243
Legal	67,538	71,228
Miscellaneous	<u>5,909</u>	<u>4,981</u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u><u>\$ 251,338</u></u>	<u><u>\$ 198,994</u></u>

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

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined employer contribution	\$ 6,606,969	\$ 5,911,574	\$ 5,662,208	\$ 5,727,617	\$ 5,789,681
Actual employer contribution	<u>6,606,969</u>	<u>5,926,407</u>	<u>5,662,208</u>	<u>5,727,617</u>	<u>5,789,681</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (14,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 9,485,800</u>	<u>\$ 10,020,449</u>	<u>\$ 9,659,471</u>	<u>\$ 9,412,235</u>	<u>\$ 9,628,949</u>
Actual contributions as a percentage of covered-employee payroll	69.65%	59.14%	58.62%	60.85%	60.13%

  

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined employer contribution	\$ 5,842,802	\$ 5,908,360	\$ 4,954,297	\$ 3,321,431	\$ 3,076,012
Actual employer contribution	<u>5,842,802</u>	<u>5,908,360</u>	<u>4,954,297</u>	<u>3,321,431</u>	<u>3,076,012</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 9,687,400</u>	<u>\$ 10,187,273</u>	<u>\$ 10,662,698</u>	<u>\$ 11,314,341</u>	<u>\$ 11,385,985</u>
Actual contributions as a percentage of covered-employee payroll	60.31%	58.00%	46.46%	29.36%	27.02%

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.0%
Salary increases	5.2% to 11%, including inflation
Investment rate of return	7.5% per year
Retirement age	Members are assumed to retire at a rate of 100% upon retirement eligibility
Mortality	Male Healthy Pre-Retirement: 10% RP-00 Combined Healthy White Collar + 90% RP-00 Combined Healthy Blue Collar, Scale BB Female Healthy Pre-Retirement: 100% RP-00 Combined Healthy White Collar, Scale BB Male Healthy Post-Retirement: 10% RP-00 Combined Healthy White Collar + 90% RP-00 Combined Healthy Blue Collar, Scale BB Female Healthy Post-Retirement: 100% RP-00 Combined Healthy White Collar, Scale BB Male Disabled Mortality: 60% RP-00 Disabled Retiree Set Back 4 years + 40% RP-00 Annuitant White Collar Female Disabled Mortality: 60% RP-00 Disabled Retiree Set Forward 2 years + 40% RP-00 Annuitant White Collar No mortality improvement is assumed for disabled lives.

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

**DEERFIELD BEACH**  
**MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**

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

Year Ended <u>September 30,</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2019	2.70%
2018	7.30%
2017	10.20%
2016	6.20%
2015	(3.10%)
2014	9.70%
2013	11.60%
2012	17.10%
2011	(1.20%)
2010	7.50%

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

# DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL PENSION LIABILITY:</b>			
Service cost	\$ 3,114,673	\$ 2,845,745	\$ 2,786,085
Interest	11,505,441	10,937,984	10,565,444
Benefit changes	-	-	-
Difference between actual and expected experience	(1,130,384)	1,865,722	1,046,101
Assumption changes	509,219	509,219	104,413
Benefit payments	(8,601,583)	(9,204,187)	(9,978,487)
Refunds	-	(17,570)	(6,856)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>5,397,366</u>	<u>6,936,913</u>	<u>4,516,700</u>
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<u>154,893,179</u>	<u>147,956,266</u>	<u>143,439,566</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<u>160,290,545</u>	<u>154,893,179</u>	<u>147,956,266</u>
<b>PLAN FIDUCIARY NET POSITION:</b>			
Contributions - employer and state	6,637,699	5,935,936	5,662,208
Contributions - member	853,718	901,704	898,299
Net investment income	3,253,915	8,197,285	10,012,955
Benefit payments	(8,601,583)	(9,204,187)	(9,978,487)
Refunds	-	(17,570)	(6,856)
Administrative expenses	(251,339)	(198,994)	(177,535)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>1,892,410</u>	<u>5,614,174</u>	<u>6,410,584</u>
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<u>119,214,394</u>	<u>113,600,220</u>	<u>107,189,636</u>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<u>121,106,804</u>	<u>119,214,394</u>	<u>113,600,220</u>
<b>NET PENSION LIABILITY - ENDING</b>	<u>\$39,183,741</u>	<u>\$35,678,785</u>	<u>\$34,356,046</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY</b>	75.55%	76.97%	76.78%
<b>COVERED EMPLOYEE PAYROLL</b>	\$ 9,485,800	\$10,020,449	\$ 9,659,471
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL</b>	413.08%	356.06%	355.67%

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

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

**DEERFIELD BEACH**  
**MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY:</b>			
Service cost	\$ 2,793,233	\$ 2,745,537	\$ 2,859,229
Interest	10,371,874	10,038,296	9,456,530
Benefit changes	48,546	106,820	172,555
Difference between actual and expected experience	(82,819)	(1,414,007)	846,838
Assumption changes	140,613	-	1,795,582
Benefit payments	(6,795,446)	(7,418,254)	(7,328,455)
Refunds	<u>-</u>	<u>(47,544)</u>	<u>-</u>
NET CHANGE IN TOTAL PENSION LIABILITY	6,476,001	4,010,848	7,802,279
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<u>136,963,565</u>	<u>132,952,717</u>	<u>125,150,438</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<u>143,439,566</u>	<u>136,963,565</u>	<u>132,952,717</u>
<b>PLAN FIDUCIARY NET POSITION:</b>			
Contributions - employer and state	5,727,739	5,789,581	5,842,781
Contributions - member	883,740	868,805	882,792
Net investment income (loss)	7,926,978	(3,188,136)	8,931,143
Benefit payments	(6,795,446)	(7,418,254)	(7,328,455)
Refunds	-	(47,544)	-
Administrative expenses	<u>(214,739)</u>	<u>(237,672)</u>	<u>(232,032)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	7,528,272	(4,233,220)	8,096,229
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<u>99,661,364</u>	<u>103,894,584</u>	<u>95,798,355</u>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<u>107,189,636</u>	<u>99,661,364</u>	<u>103,894,584</u>
<b>NET PENSION LIABILITY - ENDING</b>	<u>\$ 36,249,930</u>	<u>\$ 37,302,201</u>	<u>\$ 29,058,133</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY</b>	74.73%	72.76%	78.14%
<b>COVERED EMPLOYEE PAYROLL</b>	\$ 9,412,235	\$ 9,628,949	\$ 9,687,400
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL</b>	385.14%	387.40%	299.96%

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

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

**DEERFIELD BEACH  
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**

COMPLIANCE REPORT

SEPTEMBER 30, 2019

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

To the Board of Trustees of the  
Deerfield Beach Municipal Firefighters' Pension Trust Fund

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 Deerfield Beach Municipal Firefighters' Pension Trust Fund, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Deerfield Beach Municipal Firefighters' Pension Trust Fund's basic financial statements, and have issued our report thereon dated March 9, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Deerfield Beach Municipal Firefighters' Pension Trust Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Deerfield Beach Municipal Firefighters' Pension Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Deerfield Beach Municipal Firefighters' Pension Trust 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 Plan's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Deerfield Beach Municipal Firefighters' Pension Trust Fund'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 Deerfield Beach Municipal Firefighters' Pension Trust Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Weston, Florida  
March 9, 2020