

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

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

DEERFIELD BEACH
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

YEAR ENDED SEPTEMBER 30, 2017

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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, 2017, 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, 2017, 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 2016 financial statements, and our report dated March 23, 2017, 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, 2016, 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 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 23-25 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 financial statements as a whole. The supplementary schedule of administrative expenses is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 February 27, 2018, on our consideration of 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Deerfield Beach Municipal Firefighters' Pension Trust Fund's internal control over financial reporting and compliance.

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

Weston, Florida
February 27, 2018

DEERFIELD BEACH

MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents 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, 2017. 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 2017 reflected the following financial activities:

- Total net position restricted for pensions was \$113,600,220, which was 6% greater than the 2016 total net position restricted for pensions.
- Total contributions for the year were \$6,560,507, which was 1% less than the 2016 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 earnings were \$2,818,897, which was 30% greater than the 2016 earnings.
- Net investment income was \$9,975,766, which was 26% higher than the 2016 investment income.
- Total benefits paid were \$7,043,099, which was 11% higher than the benefits paid during 2016.

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, 2017 was \$113,600,220, a 6% increase from fiduciary net position at September 30, 2016.
- Total investments at September 30, 2017 were \$113,705,913, a 10% increase from the investments at September 30, 2016.

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

	2017	2016	% Change
Receivables	\$ 231,187	\$ 4,460,965	(95%)
Investments, at fair value	113,705,913	103,660,101	10%
Total assets	113,937,100	108,121,066	5%
Accounts payable - purchase of investments	336,880	931,430	(64%)
Net position restricted for pensions	\$ 113,600,220	\$ 107,189,636	6%

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.

DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position (Continued)

- Revenues (additions to the fiduciary net position) for the Plan were \$16,573,462, which was made up of total contributions of \$6,560,507 plus net investment income of \$9,975,766 and other income of \$37,189.
- Expenses (deductions from the fiduciary net position) increased from \$7,010,185 during 2016 to \$10,162,878 during 2017.

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

	2017	2016	% Change
Total contributions	\$ 6,560,507	\$ 6,611,479	(1%)
Net investment income	9,975,766	7,926,978	26%
Other income	37,189	-	100%
Total additions	16,573,462	14,538,457	14%
Total deductions	10,162,878	7,010,185	45%
Net increase	6,410,584	7,528,272	(15%)
Net position restricted for pensions - beginning	107,189,636	99,661,364	8%
Net position restricted for pensions - ending	\$ 113,600,220	\$ 107,189,636	6%

Asset Allocation

The table below indicates the Plan's investment policy limitations and actual asset allocations as of September 30, 2017:

Type of Investment	Investment policy	Actual Allocation
Fixed income and TIPS	20%-67%	21.7%
International equity	10%-25%	15.2%
Large-cap core	5%-12%	9.3%
Large-cap growth	5%-12%	9.1%
Mid-cap core	5%-9%	6.9%
Small-cap value	3%-7%	4.9%
Convertibles	6%-11%	9.1%
Hedge funds	0%-8%	5.7%
MLP	2%-7%	2.2%
Real estate	0%-12%	13.0%
Cash and cash equivalents	Minimal	2.9%

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.

DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Asset Allocation (Continued)

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.

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 in April 21, 2017.

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, 2017 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 196th Ave, Suite 402
Fort Lauderdale, FL 33332

DEERFIELD BEACH
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
RECEIVABLES:		
Accrued investment income	\$ 123,652	\$ 115,522
Accounts receivable - sale of investments	80,059	4,281,233
Employer contributions receivable	14,833	-
State contributions receivable	12,643	64,210
TOTAL RECEIVABLES	<u>231,187</u>	<u>4,460,965</u>
INVESTMENTS, AT FAIR VALUE:		
Money market funds	5,766,741	5,151,221
Equity securities	58,466,180	46,210,232
Corporate bonds	15,935,403	14,130,663
Government securities	12,932,478	14,337,726
Real estate	10,118,804	9,403,130
Hedge funds	6,234,327	10,243,509
Fixed income mutual funds	4,251,980	4,183,620
TOTAL INVESTMENTS, AT FAIR VALUE	<u>113,705,913</u>	<u>103,660,101</u>
TOTAL ASSETS	<u>113,937,100</u>	<u>108,121,066</u>
LIABILITIES		
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	<u>336,880</u>	<u>931,430</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR PENSIONS:		
Net position restricted for defined benefits	99,256,214	91,640,575
Net position restricted for DROP benefits	13,222,818	14,375,035
Net position restricted for share benefits	1,121,188	1,174,026
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 113,600,220</u>	<u>\$ 107,189,636</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, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2016)

	<u>2017</u>	<u>2016</u>
ADDITIONS:		
Contributions:		
Employer	\$ 5,058,562	\$ 5,060,592
Employee	898,299	883,740
Chapter 175	<u>603,646</u>	<u>667,147</u>
Total contributions	<u>6,560,507</u>	<u>6,611,479</u>
Investment income:		
Net appreciation in fair value of investments	7,683,804	6,385,731
Interest and dividend income	<u>2,818,897</u>	<u>2,165,156</u>
Total investment income	10,502,701	8,550,887
Less: investment expenses	<u>526,935</u>	<u>623,909</u>
Net investment income	<u>9,975,766</u>	<u>7,926,978</u>
Other income	<u>37,189</u>	<u>-</u>
TOTAL ADDITIONS	<u>16,573,462</u>	<u>14,538,457</u>
DEDUCTIONS:		
Benefit payments	7,043,099	6,356,992
DROP distributions	2,782,149	359,791
Share account distributions	160,095	78,663
Administrative expenses	<u>177,535</u>	<u>214,739</u>
TOTAL DEDUCTIONS	<u>10,162,878</u>	<u>7,010,185</u>
NET INCREASE IN NET POSITION		
RESTRICTED FOR PENSIONS	6,410,584	7,528,272
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>107,189,636</u>	<u>99,661,364</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u>\$ 113,600,220</u>	<u>\$ 107,189,636</u>

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

DEERFIELD BEACH
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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 (depreciation) 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. Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. Such information should be read in conjunction with the Plan's financial statements for the year ended September 30, 2016, from which the information was derived.

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's ordinance for more complete information.

The Plan was a single-employer defined benefit plan covering firefighters of the City of Deerfield Beach, Florida (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 THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

(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

Inactive Plan participants or beneficiaries currently receiving benefits	120
Active Plan participants	<u>81</u>
Total	<u>201</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 THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(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 THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(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, 2017, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 10.20%. 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 April 2017. The following was the Board's adopted asset allocation policy as of September 30, 2017:

<u>Type of Investment</u>	<u>Target Allocation</u>
Fixed income and TIPS	20%-67%
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%
Hedge funds	0%-8%
MLP	2%-7%
Real estate	0%-12%
Cash and cash equivalents	Minimal

DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

NOTE 3. INVESTMENTS (Continued)

During the year ended September 30, 2017 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$7,683,804 (reported as net appreciation in fair value of investments in the accompanying statement of changes in fiduciary net position) as follows:

Common stocks	\$3,055,872
Corporate bonds	789,206
Government securities	(308,142)
Real estate	380,492
Hedge Funds	185,453
Master limited partnerships	(432,260)
Mutual funds	<u>4,013,183</u>
Total	<u><u>\$7,683,804</u></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	\$ 15,935,403	\$ 4,180,598	\$ 6,255,374	\$ 3,518,975	\$ 1,980,456
U.S. treasuries	6,626,504	736,500	3,989,128	1,700,354	200,522
Fixed income mutual funds	4,251,980	13,181	1,260,287	2,853,504	125,008
U.S. agencies	<u>6,305,974</u>	<u>5,284</u>	<u>92,435</u>	<u>5,166,199</u>	<u>1,042,056</u>
Totals	<u><u>\$33,119,861</u></u>	<u><u>\$4,935,563</u></u>	<u><u>\$11,597,224</u></u>	<u><u>\$13,239,032</u></u>	<u><u>\$ 3,348,042</u></u>

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DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(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	\$ 11,761,409
Aa1	140,723
Aa2	1,375,375
Aa3	80,840
A1	785,927
A2	2,594,603
A3	1,039,183
Baa1	1,463,465
Baa2	1,045,459
Baa3	599,736
Ba1	255,253
Ba2	2,817,472
Ba3	1,109,869
B1	802,863
B2	2,456,484
B3	457,508
Caa1	771,938
Caa2	39,465
Unrated Government Securities	<u>3,522,289</u>
Total	<u>\$ 33,119,861</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, 2017.

"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 more than 25% of any manager's total Plan portfolio. As of year-end, foreign investments were 15.2% of total investments.

DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(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 THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

NOTE 5. FAIR VALUE MEASUREMENTS (Continued)

Hedge funds: 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: 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: Considered short-term investments reported at cost, which approximates fair value.

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2017:

		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)
<u>Investments by fair value level</u>	<u>Total</u>			
Equity securities:				
Common stocks	\$ 19,620,268	\$ 19,220,955	\$ 399,313	\$ -
Master limited partnerships	4,770,674	4,770,674	-	-
REITs	1,821,337	1,821,337	-	-
Mutual funds	32,253,901	27,162,391	5,091,510	-
Total equity securities	58,466,180	52,975,357	5,490,823	-
Debt securities:				
Corporate bonds	15,935,403	-	15,935,403	-
U.S. treasury securities	6,626,504	6,626,504	-	-
U.S. agency securities	6,305,974	-	6,305,974	-
Fixed income mutual funds	4,251,980	4,251,980	-	-
Total debt securities	33,119,861	10,878,484	22,241,377	-
Total investments by fair value level	\$ 91,586,041	\$ 63,853,841	\$27,732,200	\$ -
<u>Investments measured at the net asset value (NAV)</u> ^(a)				
Real estate funds	10,118,804			
Hedge funds	6,234,327			
Total investments measured at the NAV	16,353,131			
Money market funds (exempt)	5,766,741			
Total investments	\$ 113,705,913			

DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(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 ⁽¹⁾	\$ 7,445,914	\$ -	Quarterly	90 Days
Real estate fund ⁽²⁾	2,672,890	-	Quarterly	10 Days
Hedge fund ⁽³⁾	<u>6,234,327</u>	<u>-</u>	Quarterly	90 Days
Total investments measured at the NAV	<u>\$16,353,131</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 THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(Continued)

NOTE 6. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the Plan at September 30, 2017 were as follows:

Total pension liability	\$ 147,956,266
Plan fiduciary net position	<u>113,600,220</u>
Net pension liability	<u>\$ 34,356,046</u>

Plan fiduciary net position as a percentage of the total pension liability	76.78%
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The total pension liability was determined by an actuarial valuation as of September 30, 2017 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% to 11%, including inflation for projected salary increases and 2.75% 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 and 2017 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, 2017 (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	31.00%	7.02%
International equity	15.00%	3.67%
Bonds	20.00%	3.98%
TIPS	5.00%	2.90%
Convertibles	9.00%	5.96%
Private real estate	8.00%	4.75%
REITs	2.00%	6.75%
MLPs	5.00%	9.67%
Hedge funds	<u>5.00%</u>	4.11%
Total	<u>100.00%</u>	

DEERFIELD BEACH MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017
(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	Current discount rate	1% increase
	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
Net pension liability	\$50,364,642	\$34,356,046	\$21,100,839

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 February 27, 2018, the date the financial statements were available to be issued.

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

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2017

DEERFIELD BEACH
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2016)

	<u>2017</u>	<u>2016</u>
ADMINISTRATIVE EXPENSES:		
Accounting	\$ 8,045	\$ 8,520
Actuarial fees	46,690	41,500
Administrative fees	52,692	62,169
Conferences	5,882	12,861
Insurance	12,252	12,006
Legal	49,102	73,276
Miscellaneous	<u>2,872</u>	<u>4,407</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 177,535</u>	<u>\$ 214,739</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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined employer	\$ 5,662,208	\$ 5,727,617	\$ 5,789,681	\$ 5,842,802	\$ 5,908,360
Actual employer contribution	<u>5,662,208</u>	<u>5,727,617</u>	<u>5,789,681</u>	<u>5,842,802</u>	<u>5,908,360</u>
Annual contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	<u>\$ 9,659,471</u>	<u>\$ 9,412,235</u>	<u>\$ 9,628,949</u>	<u>\$ 9,687,400</u>	<u>\$ 10,187,273</u>
Actual contributions as a percentage of covered-employee payroll	58.62%	60.85%	60.13%	60.30%	58.00%

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined employer	\$ 4,954,297	\$ 3,321,431	\$ 3,076,012	\$ 2,751,476	\$ 2,605,958
Actual employer contribution	<u>4,954,297</u>	<u>3,321,431</u>	<u>3,076,012</u>	<u>2,751,476</u>	<u>2,605,958</u>
Annual contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	<u>\$ 10,662,698</u>	<u>\$ 11,314,341</u>	<u>\$ 11,385,985</u>	<u>\$ 11,273,175</u>	<u>\$ 10,209,732</u>
Actual contributions as a percentage of covered-employee payroll	46.46%	29.36%	27.02%	24.41%	25.52%

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	15 years as of October 1, 2016 and 2017, 16 years as of October 1, 2015, 17 years as of October 1, 2014
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	5% to 11%, including inflation
Investment rate of return	Effective for the October 1, 2016 actuarial valuation 7.5% net of investment expenses, including inflation changed from 7.625% used as of October 1, 2015
Mortality	Effective for the October 1, 2016 valuation, mortality is as assumed in the FRS valuation as of July 1, 2015, as required by state statute. In the October 1, 2015 valuation mortality was assumed using RP-2000 Combined Mortality Table Fully Generational using Scale AA.

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

DEERFIELD BEACH
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

Year Ended <u>September 30,</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2017	10.20%
2016	6.20%
2015	(3.10%)
2014	9.70%
2013	11.60%
2012	17.10%
2011	(1.20%)
2010	7.50%
2009	(1.20%)

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)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:				
Service cost	\$ 2,786,085	\$ 2,793,233	\$ 2,745,537	\$ 2,859,229
Interest	10,565,444	10,371,874	10,038,296	9,456,530
Benefit changes	-	48,546	106,820	172,555
Difference between actual and expected experience	1,046,101	(82,819)	(1,414,007)	846,838
Assumption changes	104,413	140,613	-	1,795,582
Benefit payments	(9,978,487)	(6,795,446)	(7,418,254)	(7,328,455)
Refunds	(6,856)	-	(47,544)	-
NET CHANGE IN TOTAL PENSION LIABILITY	4,516,700	6,476,001	4,010,848	7,802,279
TOTAL PENSION LIABILITY - BEGINNING	<u>143,439,566</u>	<u>136,963,565</u>	<u>132,952,717</u>	<u>125,150,438</u>
TOTAL PENSION LIABILITY - ENDING	<u>147,956,266</u>	<u>143,439,566</u>	<u>136,963,565</u>	<u>132,952,717</u>
PLAN FIDUCIARY NET POSITION:				
Contributions - employer and state	5,662,208	5,727,739	5,789,581	5,842,781
Contributions - member	898,299	883,740	868,805	882,792
Net investment income (loss)	10,012,955	7,926,978	(3,188,136)	8,931,143
Benefit payments	(9,978,487)	(6,795,446)	(7,418,254)	(7,328,455)
Refunds	(6,856)	-	(47,544)	-
Administrative expenses	(177,535)	(214,739)	(237,672)	(232,032)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	6,410,584	7,528,272	(4,233,220)	8,096,229
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>107,189,636</u>	<u>99,661,364</u>	<u>103,894,584</u>	<u>95,798,355</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>113,600,220</u>	<u>107,189,636</u>	<u>99,661,364</u>	<u>103,894,584</u>
NET PENSION LIABILITY - ENDING	<u>\$ 34,356,046</u>	<u>\$ 36,249,930</u>	<u>\$ 37,302,201</u>	<u>\$ 29,058,133</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	76.78%	74.73%	72.76%	78.14%
COVERED EMPLOYEE PAYROLL	\$ 9,659,471	\$ 9,412,235	\$ 9,628,949	\$ 9,687,400
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	355.67%	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, 2017

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, 2017, 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 February 27, 2018.

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 operations 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, 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
February 27, 2018