

**DEERFIELD BEACH
NONUNIFORMED EMPLOYEES'
RETIREMENT PLAN**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

DEERFIELD BEACH
NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

YEAR ENDED SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Deerfield Beach Nonuniformed Employees' Retirement Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the Deerfield Beach Nonuniformed Employees' Retirement Plan, which comprise the statement of fiduciary net position as of September 30, 2020, 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 Nonuniformed Employees' Retirement Plan as of September 30, 2020, 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.



INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Prior Year Comparative Information

We have previously audited the Deerfield Beach Nonuniformed Employees' Retirement Plan's 2019 financial statements, and our report dated February 10, 2020, 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, 2019, 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 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.



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 8, 2021, on our consideration of the Deerfield Beach Nonuniformed Employees' Retirement Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Deerfield Beach Nonuniformed Employees' Retirement Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Deerfield Beach Nonuniformed Employees' Retirement Plan's internal control over financial reporting and compliance.

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

Weston, Florida
February 8, 2021

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents Management's Discussion and Analysis (MD&A) of the Deerfield Beach Nonuniformed Employees' Retirement Plan's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2020. 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 five parts: MD&A, the basic financial statements, notes to the financial statements, supplementary information and required 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 and required 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.

The Plan was first established effective November 9, 1973 and later amended to provide benefits to regular and permanent non-uniformed City of Deerfield Beach and Broward Sheriff's Office (BSO) employees, as defined in section 54-138 of the City of Deerfield Beach code, which is amended from time to time. The City of Deerfield Beach is the sponsor of this Plan. There is a Board of Trustees in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Financial Highlights

The Plan's net results from operations for the fiscal year 2020 reflected the following financial activities:

- Net position restricted for pensions was \$51,677,847, which was 4% lower than the 2019 net position.
- Total contributions for the year were \$1,420,141, which was 9% lower than the 2019 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Employee contributions were 9% of their compensation.
- Total interest and dividend income was \$1,268,516, which was 9% lower than the 2019 income.
- Net investment income was \$2,222,988, which was 2% higher than the 2019 income.
- Benefits paid directly to retirees were \$5,560,896, which is in line with the benefits paid in 2019.

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

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 pension 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.

- Net position restricted for pensions at September 30, 2020 was \$51,677,847, a 4% decrease from the net position at September 30, 2019.
- Total investments at September 30, 2020 were \$51,770,343, a 4% decrease from the investments at September 30, 2019.

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

	2020	2019	% Change
Receivables	\$ 126,722	\$ 145,543	(13%)
Investments, at fair value	51,770,343	53,662,985	(4%)
Total assets	51,897,065	53,808,528	(4%)
Accounts payable	69,819	68,667	2%
Accounts payable - purchase of investments	98,595	-	100%
Total liabilities	168,414	68,667	145%
Advanced contributions from employer	50,804	50,804	0%
Net position restricted for pensions	\$ 51,677,847	\$ 53,689,057	(4%)

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 pension benefits.

- Revenues (additions to the fiduciary net position) for the Plan were \$3,644,700, which was comprised of contributions of \$1,420,141, plus net investment income of \$2,222,988, and other income of \$1,571.
- Expenses (deductions from the fiduciary net position) decreased from \$5,675,168 during 2019 to \$5,655,910 during 2020.

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

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:

	2020	2019	% Change
Total contributions	\$ 1,420,141	\$ 1,566,608	(9%)
Net investment income	2,222,988	2,189,473	2%
Other income	1,571	5,876	(73%)
Total additions	3,644,700	3,761,957	(3%)
Total deductions	5,655,910	5,675,168	(0%)
Net decrease	(2,011,210)	(1,913,211)	(5%)
Net position restricted for pensions – beginning	53,689,057	55,602,268	(3%)
Net position restricted for pensions – ending	\$ 51,677,847	\$ 53,689,057	(4%)

Asset Allocation

The table below indicates the Plan's investment policy limitations and actual asset allocations as of September 30, 2020:

Type of Investment	Investment policy	Actual allocation
Domestic equities	30%-65%	44.3%
International equities	5%-15%	9.4%
Fixed income	20%-40%	29.4%
Hedge funds	0%-10%	5.3%
Real estate	0%-10%	10.0%
Cash and cash equivalents	Minimal	1.6%

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 NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

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 November 14, 2016.

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, 2020 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 Deerfield Beach Nonuniformed Employees' Retirement Plan:

Deerfield Beach Nonuniformed Employees' Retirement Plan
c/o Benefits USA, Inc.
3810 Inverrary Blvd., Ste 303
Lauderhill, Florida 33319

DEERFIELD BEACH
NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
RECEIVABLES:		
Accrued investment income	\$ 108,291	\$ 136,706
Other	18,431	8,837
TOTAL RECEIVABLES	<u>126,722</u>	<u>145,543</u>
INVESTMENTS, AT FAIR VALUE:		
Equity securities	27,803,198	28,332,265
U.S. government securities	9,268,914	8,431,794
Hedge funds	2,727,162	2,780,985
Corporate bonds	5,966,318	7,280,867
Real estate fund	5,172,592	5,191,662
Money market funds	832,159	1,645,412
TOTAL INVESTMENTS, AT FAIR VALUE	<u>51,770,343</u>	<u>53,662,985</u>
TOTAL ASSETS	<u>51,897,065</u>	<u>53,808,528</u>
LIABILITIES		
ACCOUNTS PAYABLE	69,819	68,667
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	98,595	-
TOTAL LIABILITIES	<u>168,414</u>	<u>68,667</u>
DEFERRED INFLOWS		
ADVANCED CONTRIBUTIONS FROM EMPLOYER	<u>50,804</u>	<u>50,804</u>
NET POSITION RESTRICTED FOR PENSIONS		
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 51,677,847</u>	<u>\$ 53,689,057</u>

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

**DEERFIELD BEACH
NONUNIFORMED EMPLOYEES' RETIREMENT PLAN**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019)

	<u>2020</u>	<u>2019</u>
ADDITIONS:		
Contributions:		
Employer	\$ 1,412,726	\$ 1,546,408
Employee	<u>7,415</u>	<u>20,200</u>
Total contributions	<u>1,420,141</u>	<u>1,566,608</u>
Investment income:		
Net appreciation in fair value of investments	1,286,330	1,136,612
Interest and dividend income	<u>1,268,516</u>	<u>1,392,039</u>
Total investment income	2,554,846	2,528,651
Less: investment expenses	<u>331,858</u>	<u>339,178</u>
Net investment income	<u>2,222,988</u>	<u>2,189,473</u>
Other income	<u>1,571</u>	<u>5,876</u>
TOTAL ADDITIONS	<u>3,644,700</u>	<u>3,761,957</u>
DEDUCTIONS:		
Benefit payments	5,560,896	5,571,956
Administrative expenses	<u>95,014</u>	<u>103,212</u>
TOTAL DEDUCTIONS	<u>5,655,910</u>	<u>5,675,168</u>
NET DECREASE IN NET POSITION		
RESTRICTED FOR PENSIONS	(2,011,210)	(1,913,211)
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>53,689,057</u>	<u>55,602,268</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u>\$ 51,677,847</u>	<u>\$ 53,689,057</u>

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

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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 4 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 preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially expose the Plan to concentration of credit risk, as defined by GAAP, consist primarily of contribution receivables and related income.

The Plan's investments consist of common stocks, government securities, corporate bonds, real estate fund, hedge funds, and money market funds which, inherent in their fair market value determination, include the risk factor of credit worthiness of each individual security.

Comparative Information

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail in the notes to the 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, 2019, from which the information was derived.

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the Deerfield Beach Nonuniformed Employees' Retirement Plan (the Plan) provides only general information. Participants should refer to the City of Deerfield Beach's ordinance for more detailed and comprehensive information.

The Plan is a single-employer defined benefit Plan covering each employee of the City of Deerfield Beach, Florida (the City) who is eligible to participate in the Plan and who fulfills the prescribed eligibility requirements. The Plan was established by the City in accordance with the City ordinance and state statutes.

DEERFIELD BEACH
NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Management of the Plan is vested in the Board of Trustees (the Board), which consists of five members – two of the members must be legal residents of the City, who shall not be City or BSO employees, who shall be appointed by the City commission. Two shall be City or BSO Plan participants elected by vote of the Plan participants. The fifth shall be chosen by the other four members of the Board but may not be a City or BSO employee.

Plan Membership

At September 30, 2020, Plan membership consisted of the following:

Inactive Plan members or beneficiaries currently receiving benefits	122
Active Plan member	<u>1</u>
Total	<u>123</u>

Eligibility

All full-time non-uniformed municipal employees.

Benefits

The Plan provides retirement, death and disability benefits. The benefits provisions are established and may be amended under the authority of City Ordinance. Normal retirement age is age 65 with 10 years of credited service. Early retirement age is age 55 with 10 years of credited service. The Plan provides a normal retirement benefits equal to 3.0% of the participants average final monthly compensation multiplied by the years of credited service to a maximum of 30 years. The early retirement benefit is the normal retirement benefit reduced by 1% for each year prior to the normal retirement age, unless the retiree has reached age 55 with at least 25 years of service.

During 2011, the City ordinance was amended to offer an early retirement incentive program. Employees, regardless of their age, who have less than 25 years of credited services who elected to participate in the early retirement program were provided with an enhanced benefit multiplier for all years of services that would bring the employee's total pension benefit to the level it would have been had the employee had 25 years of credited service under the Plan as determined by the actuary.

The monthly retirement income payable to an employee who elected to participate in the program shall not be actuarially reduced, regardless of age. For those employees who had 25 or more years of creditable service but had not attained the age of 55 who elected to participate in the program would not have their monthly retirement income actuarially reduced. Employees wishing to participate in the Plan had to give notice to the City by July 21, 2011 and had to retire no later than September 30, 2011.

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

The Plan provides that a cost-of-living adjustment (COLA) can be paid when three conditions are met: the investment return in the prior year must exceed the actuarial assumption, the overall experience of the Plan must be favorable, and the Plan must have a net accumulated gain over the years. There was a .01% COLA adjustment for the year ended September 30, 2020.

Funding

Participant contributions - Participants are required to contribute 9% of pretax earnings.

City contribution - The City is expected to contribute such additional amounts as necessary on an actuarial basis to fund the Plan's expenses, normal cost and to amortize the unfunded actuarial accrued liability. For the year ended September 30, 2020, the Plan's actuary determined that the required City contribution was \$1,412,726, which was fully contributed.

Rate of Return

For the year ended September 30, 2020, the annual money-weighted rate of return on pension Plan investments, net of pension Plan investment expense, was 4.88%. 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 on November 14, 2016. The following was the Board's adopted asset allocation policy as of September 30, 2020:

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equities	30%-65%
International equities	5%-15%
Fixed income	20%-40%
Hedge funds	0%-10%
Real estate	0%-10%
Cash and cash equivalents	Minimal

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020
(Continued)

NOTE 3. INVESTMENTS (Continued)

During the year ended September 30, 2020, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$1,286,330 (reported as net appreciation in fair value of investments in the accompanying statement of changes in fiduciary net position) as follows:

	<u>Investment gains/losses</u>
Common stock	\$ 834,636
Government securities	431,611
Corporate bonds	337,125
Real estate fund	(184,231)
Hedge funds	<u>(132,811)</u>
Total	<u>\$ 1,286,330</u>

The Board determines the Plan's investment policy. The policy has been designed by the Board to obtain a reasonable total rate of return. As a prudent investor, the Board has adopted a policy to diversify investment risk among several institutionally acceptable asset classes including bonds and other corporate obligations, and equity securities. The Board employs professional investment managers to invest the assets of the Plan within the parameters established in the investment policy.

The term "interest rate risk" refers to the portfolio's exposure to fair value losses arising from increasing interest rates. Interest rate risk disclosures are required for all debt investments, as well as investments in mutual funds, external investment pools and other pooled investments that do not meet the definition of a 2a7-like pool.

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 fixed income 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	\$ 5,966,318	\$ 135,748	\$ 2,435,769	\$ 2,067,588	\$ 1,327,213
U.S. agencies	3,821,375	226,483	171,786	437,509	2,985,597
U.S. treasuries	3,027,260	23,153	1,735,742	551,481	716,884
Municipal bonds	<u>2,420,279</u>	<u>-</u>	<u>398,977</u>	<u>1,169,327</u>	<u>851,975</u>
Totals	<u>\$ 15,235,232</u>	<u>\$ 385,384</u>	<u>\$ 4,742,274</u>	<u>\$ 4,225,905</u>	<u>\$ 5,881,669</u>

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020
(Continued)

NOTE 3. INVESTMENTS (Continued)

State law limits investments in corporate bonds and commercial paper to the top 3 ratings provided by nationally recognized statistical rating organizations. The Plan's corporate bonds were rated by Moody's Investors Services as follows:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 9,516,597
AA+	791,257
AA	761,409
A+	229,145
A	1,764,189
A-	115,826
BBB+	1,765,611
BBB	250,595
BB+	40,603
Total	<u>\$ 15,235,232</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 fiduciary net position. The Plan had no investments in the securities of any one issuer greater than 5% of fiduciary net position at September 30, 2020.

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. 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 15% of any manager's total Plan portfolio. As of year-end, the foreign investments were 9.4% of total investments.

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020
(Continued)

NOTE 4. 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 within the fair value hierarchy as 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.

The following is a description of the valuation methodologies used for assets measured at fair value.

Common stocks: 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.

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

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

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

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2020:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$ 27,803,198	\$ 27,803,198	\$ -	\$ -
Total equity securities	<u>27,803,198</u>	<u>27,803,198</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. treasury securities	3,027,260	2,660,995	366,265	-
U.S. agency securities	3,821,375	-	3,821,375	-
Municipal bonds	2,420,279	-	2,420,279	-
Corporate bonds	<u>5,966,318</u>	<u>-</u>	<u>5,966,318</u>	<u>-</u>
Total debt securities	<u>15,235,232</u>	<u>2,660,995</u>	<u>12,574,237</u>	<u>-</u>
Total investments by fair value level	<u>43,038,430</u>	<u>\$ 30,464,193</u>	<u>\$ 12,574,237</u>	<u>\$ -</u>
<u>Investments measured at the net asset value (NAV) ^(a)</u>				
Real estate fund	5,172,592			
Hedge funds	<u>2,727,162</u>			
Total investments measured at the	<u>7,899,754</u>			
Money market funds (exempt)	<u>832,159</u>			
Total investments	<u>\$ 51,770,343</u>			

(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 this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the statement of fiduciary net position.

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

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

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Real estate fund ⁽¹⁾	\$ 5,172,592	\$ -	Quarterly	45 days
Hedge fund ⁽²⁾	1,340,204	-	Daily	1-2 days
Hedge fund ⁽³⁾	<u>1,386,958</u>	<u>-</u>	Daily	1-2 days
Total investments measured at the NAV	<u>\$ 7,899,754</u>	<u>\$ -</u>		

- ⁽¹⁾ Real estate fund: This fund is an open-end core real estate fund with a diversified portfolio of multifamily, office, industrial and retail properties. The fund seeks to provide for the preservation of capital, stable income and modest appreciation over the mid- to long-term. The investment is valued at NAV and redemption requests must be received by the fund 45 days prior to quarter-end.
- ⁽²⁾ Hedge fund: This hedge fund aims to pursue varying strategies in order to diversify risks and reduce volatility. The fund invests with hedge funds and other portfolio managers or otherwise utilizes the services of investment advisors or other investment managers employing a variety of trading styles or strategies, including, but not limited to, direct lending, convertible arbitrage, merger or risk arbitrage and other event-driven investing, distressed and long/short credit, long/short equity, multi-strategy and other relative value strategies. The investment is valued at NAV and redemption requests must be and redemption requests may be received 1 or 2 days in advance.
- ⁽³⁾ Hedge fund: This hedge fund is an open-end fund incorporated in the United States. The fund seeks capital appreciation by investing its assets among a variety of non-traditional or alternative investment strategies. The investment is valued at NAV and redemption requests may be received 1 or 2 days in advance.

NOTE 5. 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 available for benefits.

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.

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020
(Continued)

NOTE 6. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the City at September 30, 2020 were as follows:

Total pension liability	\$ 55,787,619
Plan fiduciary net position	<u>51,677,847</u>
City's net pension liability	<u>\$ 4,109,772</u>
Plan fiduciary net position as a percentage of the total pension liability	92.63%

The total pension liability was determined by an actuarial valuation as of October 1, 2019 and rolled forward to September 30, 2020 using certain actuarial assumptions, the most significant of which were 6.8% for the investment rate of return net of investment expenses, 6.0% for projected salary increases and 2.0% for inflation.

Mortality rates used RP-2000 mortality tables with collar adjustments and generational projections using scale BB as used by the Florida Retirement System for the Regular Class in the July 1, 2018 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 pension 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 pension Plan's target asset allocation as of September 30, 2020 (see the discussion of the pension Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term expected real rate of return</u>
Large cap value equity	6.97%
Large cap growth equity	7.16%
Small cap core equity	7.48%
International equity	6.20%
Hedge funds	3.95%
Private real estate	6.27%
Core fixed income	1.83%

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020
(Continued)

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

The discount rate used to measure the total pension liability was 6.8%. 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 City 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 6.8%. It was also calculated using a discount rate that was 1-percentage-point lower (5.8%) and 1-percentage-point higher (7.8%) and the different computations were compared.

	1% decrease	Current discount rate	1% increase
	<u>(5.8%)</u>	<u>(6.8%)</u>	<u>(7.8%)</u>
Net pension liability	\$ 8,709,806	\$ 4,109,772	\$ 128,451

NOTE 7. INCOME TAXES

The Plan is exempt from federal income taxes under the Internal Revenue Code. On November 21, 2014, 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 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. COVID-19 CONSIDERATIONS

The Plan's ongoing funding may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events affect the Plan's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Plan through February 8, 2021, the date the financial statements were available to be issued.

**DEERFIELD BEACH
NONUNIFORMED EMPLOYEES'
RETIREMENT PLAN**

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2020

DEERFIELD BEACH
NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019)

	<u>2020</u>	<u>2019</u>
ADMINISTRATIVE EXPENSES:		
Legal	\$ 36,000	\$ 36,000
Administrative fees	17,400	16,650
Actuarial	17,049	22,171
Accounting	13,320	13,043
Insurance	8,349	8,305
Conferences	2,161	6,090
Miscellaneous	<u>735</u>	<u>953</u>
TOTAL ADMINSTRATIVE EXPENSES	<u><u>\$ 95,014</u></u>	<u><u>\$ 103,212</u></u>

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

**DEERFIELD BEACH
NONUNIFORMED EMPLOYEES'
RETIREMENT PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2020

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS

AS OF SEPTEMBER 30
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined employer contribution	\$ 1,412,726	\$ 1,546,408	\$ 1,645,642	\$ 1,595,214	\$ 1,543,620
Actual employer contribution	<u>1,412,726</u>	<u>1,546,408</u>	<u>1,645,642</u>	<u>1,595,214</u>	<u>1,543,620</u>
Annual contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	<u>\$ 82,388</u>	<u>\$ 321,771</u>	<u>\$ 302,211</u>	<u>\$ 315,122</u>	<u>\$ 307,142</u>
Actual contributions as a percentage of covered-employee payroll	1714.72%	480.59%	544.53%	506.22%	502.58%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined employer contribution	\$ 1,713,421	\$ 1,721,000	\$ 1,750,798	\$ 1,691,053	\$ 1,816,148
Actual employer contribution	<u>1,713,421</u>	<u>1,721,000</u>	<u>1,750,798</u>	<u>1,691,053</u>	<u>1,816,148</u>
Annual contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	<u>\$ 412,795</u>	<u>\$ 371,300</u>	<u>\$ 405,566</u>	<u>\$ 389,606</u>	<u>\$ 384,733</u>
Actual contributions as a percentage of covered-employee payroll	415.08%	463.51%	431.69%	434.04%	472.05%

Notes to Schedules of Contributions from Employer and Other Contributors

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	5 years
Asset valuation method	4-year smoothed market
Inflation:	2.00%
Salary increases	6.00%
Investment rate of return	6.80%
Mortality	Mortality rates used RP-2000 mortality tables with collar adjustments and generational projections using scale BB as used by the Florida Retirement System for the Regular Class in the July 1, 2018 actuarial valuation.

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

DEERFIELD BEACH
NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

Year ended <u>September 30,</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2020	4.88%
2019	4.42%
2018	7.91%
2017	9.50%
2016	7.18%
2015	(0.72%)
2014	9.80%
2013	12.31%
2012	18.23%
2011	(6.73%)

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

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

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

YEARS ENDED SEPTEMBER 30,
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL PENSION LIABILITY:				
Service cost	\$ 27,504	\$ 70,591	\$ 75,770	\$ 70,710
Interest	3,753,624	4,047,412	4,144,079	4,221,714
Difference between actual and expected experience	(385,909)	(2,011,107)	26,603	348,056
Assumption changes		882,797	-	2,822
Benefit payments	<u>(5,560,896)</u>	<u>(5,571,956)</u>	<u>(5,672,502)</u>	<u>(5,842,352)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	(2,165,677)	(2,582,263)	(1,426,050)	(1,199,050)
TOTAL PENSION LIABILITY - BEGINNING	<u>57,953,296</u>	<u>60,535,559</u>	<u>61,961,609</u>	<u>63,160,659</u>
TOTAL PENSION LIABILITY - ENDING	<u>55,787,619</u>	<u>57,953,296</u>	<u>60,535,559</u>	<u>61,961,609</u>
 PLAN FIDUCIARY NET POSITION:				
Contributions - Employer and State	1,412,726	1,546,408	1,645,642	1,595,214
Contributions - Member	7,415	20,200	27,199	28,361
Net investment (loss) income	2,224,559	2,195,349	3,924,126	5,041,747
Benefit payments	(5,560,896)	(5,571,956)	(5,672,502)	(5,842,352)
Administrative expenses	<u>(95,014)</u>	<u>(103,212)</u>	<u>(96,927)</u>	<u>(96,331)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(2,011,210)	(1,913,211)	(172,462)	726,639
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>53,689,057</u>	<u>55,602,268</u>	<u>55,774,730</u>	<u>55,048,091</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>51,677,847</u>	<u>53,689,057</u>	<u>55,602,268</u>	<u>55,774,730</u>
NET PENSION LIABILITY - ENDING	<u>\$4,109,772</u>	<u>\$4,264,239</u>	<u>\$4,933,291</u>	<u>\$6,186,879</u>
 PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	92.63%	92.64%	91.85%	90.01%
COVERED EMPLOYEE PAYROLL	\$ 82,388	\$ 321,771	\$ 302,211	\$ 315,122
 NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	4988.31%	1325.24%	1632.40%	1963.33%

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 required supplementary schedule.

DEERFIELD BEACH NONUNIFORMED EMPLOYEES' RETIREMENT PLAN

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

YEARS ENDED SEPTEMBER 30,
(UNAUDITED)
(Continued)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:			
Service cost	\$ 66,123	\$ 77,233	\$ 78,741
Interest	4,325,572	4,161,337	4,289,889
Difference between actual and expected experience	612,743	528,068	-
Assumption changes	3,377,835	1,187,719	-
Benefit payments	<u>(5,917,598)</u>	<u>(5,826,053)</u>	<u>(5,786,184)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,464,675	128,304	(1,417,554)
TOTAL PENSION LIABILITY - BEGINNING	<u>60,695,984</u>	<u>60,567,680</u>	<u>61,985,234</u>
TOTAL PENSION LIABILITY - ENDING	<u>63,160,659</u>	<u>60,695,984</u>	<u>60,567,680</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - Employer and State	1,543,620	1,713,421	1,721,000
Contributions - Member	27,643	26,457	33,417
Net investment (loss) income	4,169,121	(330,924)	5,519,418
Benefit payments	(5,917,598)	(5,826,053)	(5,786,184)
Administrative expenses	<u>(102,723)</u>	<u>(101,412)</u>	<u>(93,157)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(279,937)	(4,518,511)	1,394,494
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>55,328,028</u>	<u>59,846,539</u>	<u>58,452,045</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>55,048,091</u>	<u>55,328,028</u>	<u>59,846,539</u>
NET PENSION LIABILITY - ENDING	<u>\$ 8,112,568</u>	<u>\$ 5,367,956</u>	<u>\$ 721,141</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	87.16%	91.16%	98.81%
COVERED EMPLOYEE PAYROLL	\$ 307,142	\$ 412,795	\$ 371,300
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	2641.31%	1300.39%	194.22%

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 required supplementary schedule.

**DEERFIELD BEACH
NONUNIFORMED EMPLOYEES'
RETIREMENT PLAN**

COMPLIANCE REPORT

SEPTEMBER 30, 2020



**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 Nonuniformed Employees' Retirement Plan

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 Nonuniformed Employees' Retirement Plan, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Deerfield Beach Nonuniformed Employees' Retirement Plan's basic financial statements, and have issued our report thereon dated February 8, 2021.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Deerfield Beach Nonuniformed Employees' Retirement 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.

Compliance and Other Matters

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



**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)

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 Nonuniformed Employees' Retirement Plan'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 Nonuniformed Employees' Retirement Plan'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 8, 2021