

RETIREMENT PLAN FOR THE
EMPLOYEES OF THE
TOWN OF SURFSIDE
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019



**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Pension Board and Plan Administrator
Retirement Plan for Employees of the Town of Surfside

Report on the Financial Statements

We have audited the accompanying financial statements of the Retirement Plan for Employees of the Town of Surfside (the Plan), which comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the fiscal 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.

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

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

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan, as of September 30, 2019, and the changes in fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the Plan's 2018 financial statements, and our report dated July 29, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the comparative information presented herein as of and for the fiscal year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in the Town's net pension liability and related ratios, Town's contributions, and investment returns on pages 4 to 7 and 26 to 28, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of administrative and investment expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 auditing 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Plan's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
June 29, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Retirement Plan for Employees of the Town of Surfside (the Plan) provides an overview of the financial activities and funding conditions for the fiscal years ended September 30, 2019 and 2018. Please review this discussion and analysis in conjunction with the financial statements and the notes to the financial statements which follow this discussion.

OVERVIEW OF FINANCIAL STATEMENTS

Financial Statements

The Plan presents select comparative financial information as of and for the fiscal years ended September 30, 2019 and 2018. The financial statements are prepared using the accrual basis of accounting in accordance with the Governmental Accounting Standards Board (GASB) pronouncements. The two financial statements are the statement of fiduciary net position and the statement of changes in fiduciary net position.

The statement of fiduciary net position presents information on all of the Plan's assets and liabilities with the difference between the two reported as net position restricted for pension benefits. This represents the value of net position held in trust to pay pension benefits. The Plan did not have any deferred outflows or inflows as of September 30, 2019 or 2018.

By contrast, the statement of changes in fiduciary net position presents information showing how the Plan's net position changed, on a comparative basis, with additions (revenues) and deductions (expenses) for the fiscal year.

Notes to Financial Statements

The notes to financial statements are an integral part of the financial statements and provide additional information and schedules that are essential for a full understanding of the Plan provided in the financial statements. Among other things, information in the notes discloses the method used to value investments, a general description of the Plan, contribution information and investment information.

Required Supplementary Information

Because of the long-term nature of a defined benefit plan, the Plan provides two required schedules of historical trends based on the actuarial valuations performed by the Plan's actuary and one analysis of investment returns by the Plan's investment consultant.

Other Supplementary Information

Other schedules provided are the schedules of administrative and investment expenses (supplementary information) incurred by the Plan.

FINANCIAL HIGHLIGHTS

The Plan's fiduciary net position restricted for pension benefits held in trust increased by \$879,216 from \$23,309,376 (fiscal year ended September 30, 2018), to \$24,130,975 for the fiscal year ended September 30, 2019, (an increase of 3.8% over the prior year) as a result of the current year's activities.

The required contribution from the Town for the fiscal year ended September 30, 2019, decreased by \$99,802 to \$817,472, a decrease of approximately 10.9% based on the annual required contribution delineated in the October 1, 2017, actuarial valuation.

The Plan's investments had net investment income for the fiscal year ended September 30, 2019, of \$932,756 compared with the net investment income of \$1,579,816 for the fiscal year ended September 30, 2018, a decrease of \$(647,060) or (37.3%), due to continued positive market conditions during 2019 which fell short of the 2018 returns.

Benefit payments for the fiscal year ended September 30, 2019, were \$1,162,820, an increase of \$346,440 or 42.4% from the fiscal year ended September 30, 2018.

FINANCIAL ANALYSIS

The total fund investment performance for the investments under management for the fiscal years ended 2019 and 2018 was 4.34% and 7.64% respectively. The actuarial assumed investment rate of return was unchanged at 7.25%.

PLAN NET POSITION

The table below shows a comparative summary of Fiduciary Net Position:

	September 30,		Increase (Decrease)	
	2019	2018	Amount	Percent
Investments	\$ 24,130,518	\$ 23,304,916	\$ 825,602	3.5%
Other assets	87,987	95,567	(7,580)	-7.9%
Total Assets	24,218,505	23,400,483	818,022	3.5%
Total Liabilities	87,530	91,107	(3,577)	-3.9%
Net Position Restricted for Pension Benefits	\$ 24,130,975	\$ 23,309,376	\$ 821,599	3.5%

Plan investments increased as expected due to employee and Town contributions.

CHANGES IN PLAN NET POSITION

The table below shows a comparative summary of the changes in the fiduciary net position and reflects the activities of the Plan.

	2019	2018	Increase (Decrease)	
			2018 to 2019	
			Amount	Percent
Employer contributions	\$ 817,472	\$ 917,274	\$ (99,802)	-10.9%
Member contributions	498,404	459,190	39,214	8.5%
Net investment income	<u>932,756</u>	<u>1,579,816</u>	<u>(647,060)</u>	-41.0%
Total Additions	\$ <u>2,248,632</u>	\$ <u>2,956,280</u>	\$ <u>(707,648)</u>	-23.9%

	2019	2018	Increase (Decrease)	
			2018 to 2019	
			Amount	Percent
Benefit payments	\$ 1,162,820	\$ 816,380	\$ 346,440	42.4%
Refund of contributions	146,004	2,736	143,268	5236.4%
Administrative expenses	<u>118,209</u>	<u>120,389</u>	<u>(2,180)</u>	-1.8%
Total Deductions	\$ <u>1,427,033</u>	\$ <u>939,505</u>	\$ <u>487,528</u>	51.9%

The Plan incurred a positive return of the fair value of its investments in 2019 (4.30%), but not at the same rate as 2018 (7.50%). This fluctuation created a decrease in net investment income in 2019 as compared to 2018. Administrative expenses remained consistent from 2018 to 2019.

Refunds of contributions increased due to more employees terminating or leaving the retirement Plan during fiscal year 2019. The refunds of contributions are the employee's 8% contribution with the interest gained/lost during the years of employment. Once these refunds are paid these employees are no longer eligible for any benefits from the Plan in the future.

PLAN MEMBERSHIP

The table below reflects the Plan membership as of the actuarial valuation dates noted below:

CHANGES IN PLAN MEMBERSHIP

	October 1,		
	2018	2017	Change
Plan Membership			
Inactive plan members and beneficiaries currently receiving benefits	38	37	1
Inactive plan members entitled but not yet receiving benefits	7	5	2
Active plan members	<u>95</u>	<u>87</u>	<u>8</u>
Total	<u>140</u>	<u>129</u>	<u>11</u>

FUNDING PROGRESS

Of primary concern to most Plan participants is the amount of money available to pay benefits. Historically, defined benefit pension plans have been underfunded when the employer failed to make annual actuarially required contributions to the Plan. The Town has traditionally contributed the annual required contribution as determined by the Plan's Actuary, as required by state law.

ASSET ALLOCATION

The following table indicates the asset allocations at fair value as of September 30, 2019 and 2018.

	September 30,			
	2019		2018	
Money market funds	\$ 315,310	1.3%	\$ 667,624	2.9%
Certificate of deposits	30,137	0.1%	29,676	0.1%
U.S. treasury securities	177,751	0.7%	221,241	0.9%
U.S. government agency bonds	183,449	0.8%	364,325	1.6%
Municipal obligations	2,951,650	12.2%	1,611,501	6.9%
Corporate bonds	2,299,474	9.5%	2,597,858	11.1%
Mortgage backed securities	340,534	1.4%	360,157	1.5%
Equities				
Common stock, ADR's, and EFT's	6,855,861	28.4%	9,171,029	39.4%
Mutual funds	8,510,516	35.3%	6,048,544	26.0%
Real estate investment trusts	270,883	1.1%	136,131	0.6%
Collective investment trusts	707,514	2.9%	675,305	2.9%
Core real estate fund	1,487,439	6.2%	1,421,525	6.1%
Total Investments	\$ 24,130,518	100.0%	\$ 23,304,916	100.0%

INVESTMENT ACTIVITIES

Investment income is vital to the Plan's continued financial stability. Therefore, the Board of Trustees have a fiduciary responsibility to act prudently and discretely when making Plan investment decisions. To assist the Board in this area, a comprehensive formal Investment Policy is reviewed periodically. The last amendment to the Investment Policy was on November 13, 2019.

The Board reviews portfolio performance quarterly. Performance is evaluated and monitored by an independent investment consultant as to manager style, collectively by investment type, and for the aggregate portfolio. Investment types include domestic and international equities and fixed income obligations.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

The financial report is designed to provide residents, taxpayers, Plan participants, and other interested parties 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 need additional financial information, please contact the Pension Plan Administrator, 9293 Harding Avenue, Surfside, Florida 33154.

FINANCIAL STATEMENTS

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2019

(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

	2019	2018
Assets		
Money market funds	\$ 315,310	\$ 667,624
Certificates of deposit	30,137	29,676
U.S. treasury securities	177,751	221,241
U.S. government agency bonds	183,449	364,325
Municipal obligations	2,951,650	1,611,501
Corporate bonds	2,299,474	2,597,858
Mortgage backed securities	340,534	360,157
Equities		
Common stock and american depository receipts and exchange traded funds	6,855,861	9,171,029
Mutual funds	8,510,516	6,048,544
Real estate investment trusts	270,883	136,131
Collective investment trust	707,514	675,305
Core real estate fund	1,487,439	1,421,525
Total Investments	24,130,518	23,304,916
Receivables		
Accrued interest and dividends	42,508	51,367
Employee contributions	21,948	19,269
Other receivables	21,972	21,972
Total Receivables	86,428	92,608
Prepaid Expenses	1,559	2,959
Total Assets	24,218,505	23,400,483
Liabilities		
Accounts payable	58,931	80,719
Refunds due to members	28,599	10,388
Total Liabilities	87,530	91,107
Net Position Restricted for Pension Benefits	\$ 24,130,975	\$ 23,309,376

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

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

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

	2019	2018
Additions		
Contributions		
Plan members	\$ 498,404	\$ 459,190
Town	817,472	917,274
Total Contributions	1,315,876	1,376,464
Investment Income		
Net appreciation in fair value of investments	360,383	1,098,341
Interest and dividends	683,762	591,178
	1,044,145	1,689,519
Less investment expenses	(111,389)	(109,703)
Net Investment Income	932,756	1,579,816
Total Additions	2,248,632	2,956,280
Deductions		
Benefit payments	1,162,820	816,380
Refunds of contributions	146,004	2,736
Administrative expenses	118,209	120,389
Total Deductions	1,427,033	939,505
Change in Net Position	821,599	2,016,775
Net Position Restricted for Pension Benefits		
Beginning	23,309,376	21,292,601
Ending	\$ 24,130,975	\$ 23,309,376

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

NOTES TO FINANCIAL STATEMENTS

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements of the Retirement Plan for Employees of the Town of Surfside (the Plan) are prepared using the economic resources measurement focus and accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

METHOD USED TO VALUE INVESTMENTS AND INVESTMENT INCOME RECOGNITION

Investments are reported at fair value with the exception of money market funds which are at amortized cost. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date basis. Interest and dividends are recorded as earned on the accrual basis. For more detail regarding the methods used to measure the fair value of investments refer to the fair value hierarchy in Note 3.

Within certain limitations as specified in the Plan, the investment policy is determined by the pension Board of Trustees (the Board) and is implemented by its investment manager.

CONTRIBUTION REFUNDS

The defined benefit plan is contributory and employee contributions are one hundred percent refundable with interest at the rate of four percent per annum to terminated non-vested participants as well as vested former participants who elect to forfeit all rights to any benefits of the Plan.

NET POSITION RESTRICTED FOR PENSION BENEFITS

The net position restricted for pension benefits is the difference between the total plan assets and the total plan liabilities, and is held in trust for pension benefits.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PLAN EXPENSES

In accordance with the provisions of the Plan, investment and administrative expenses of the Plan may be paid either by the Town or the Plan. The established policy is that the Plan pays all of the investment and administration expenses of the Plan as well as the actuarial fees for annual actuarial valuations. It has been the Town's practice to pay the fees for any additional actuarial services provided.

USE OF ESTIMATES

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

COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute 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 fiscal year ended September 30, 2018, from which the comparative information was derived. Certain amounts in 2018 have been reclassified to conform to September 30, 2019 financial statement presentation.

NOTE 2 – PLAN DESCRIPTION

PLAN DESCRIPTION

The Retirement Plan was established by a Town Ordinance approved by the Commissioners and effective January 1, 1962. The Plan is subject to certain provisions of Chapter 112, Florida Statutes. The benefit provisions, amendments thereto, and all other requirements are established by Town Ordinance. Participants should refer to the Plan document for more complete information.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

The Retirement Plan is a contributory defined benefit single-employer retirement plan covering substantially all employees of the Town of Surfside. To be eligible to participate in the Plan you must be a police officer or other employee and be a regular full-time employee whose customary employment is for 32 hours or more per week, and for six (6) months or more of the year. During 2011, the Town passed Ordinance 11-1580, which grants the right to Charter Officers to opt out of the Plan at any time. The administration of the Plan is under the responsibility of a five-member pension Board, which is subject to the ultimate authority of the Town Commission.

The Plan is administered by a pension Board comprised of:

- a. Two Town Commissioner Appointees
- b. One police officer elected by a majority of police officers
- c. A general employee elected by his or her fellow general employees
- d. The Town Manager (a permanent member of the Board)

Membership consisted of the following as of October 1, 2018, the date of the latest actuarial valuation:

Inactive plan members and beneficiaries currently receiving benefits	38
Inactive plan members entitled but not yet receiving benefits	7
Active plan members	<u>95</u>
Total Members	<u><u>140</u></u>

CONTRIBUTIONS AND FUNDING POLICY

Funding of the Plan is provided by contributions from the Town and the employees. The Town's funding policy provides for annual actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

CONTRIBUTIONS AND FUNDING POLICY (CONTINUED)

Effective October 1, 2016, the employee contribution for general employees and senior management increased from 6% to 8%. The employee previously contributing 5% of their covered compensation is now required to contribute 7%. Police officers continue to contribute 8%.

BENEFITS PROVIDED

The Plan provides normal retirement, early retirement, delayed retirement, disability retirement, death benefits and termination benefits. The Plan considers creditable service and average final compensation as part of the benefit calculation.

Creditable Service

All service of a Plan member measured in years and completed months since latest date of hire with the Town.

Average Final Compensation (AFC)

The average of basic compensation during the highest three years (five years for general employees) of the ten years preceding termination of employment; does not include bonuses, overtime, lump sum payments of unused leave or other nonregular compensation.

Normal Retirement

Eligibility – For sworn police officers, the earliest of (1) age 52 with 20 years of creditable service, (2) age 62 with 5 years of creditable service, (3) completion of 25 years of creditable service or (4) the completion of 15 years and 4 months of service if hired on a full time basis in March 2003. For the Town Manager and Attorney, age 64 with 7 years of creditable service. For all other employees, the earlier of (1) age 62 with 15 years of creditable service or (2) age 65 with 10 years of creditable service.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

BENEFITS PROVIDED (CONTINUED)

Normal Retirement (continued)

<u>Period of Service</u>	Benefit Accrual Rate per Year of Service Based on Employee Contribution Rate of			
	<u>5%</u>	<u>6%</u>	<u>7%</u>	<u>8%</u>
Before 10/1/1979***	N/A	N/A	N/A	N/A
10/1/1979 - 6/30/1996	1 2/3%	N/A	2%	N/A
7/1/1996 - 1/31/2003	1 2/3%	N/A	2%	2.5%
2/1/2003 - 9/30/2005	2%	2.5%	N/A	N/A
10/1/2005 - 9/30/2006	2%	2.5%	N/A	3%*
10/1/2006 - 9/30/2016	2%	2.5%	N/A	3.5%*
After 10/1/16	N/A	N/A	2.65%	3.5%**

* For police officers only.

** 3.5% for police officers, 3.0% for Senior Management and 2.8% for general employees

*** Before 10/1/1979 employee contributions were not required to receive the 1 2/3% multiplier

Effective October 1, 2016, the maximum benefit is 90% of AFC (68% of AFC for general employees and 80% of AFC for Senior Management).

Early Retirement

Eligibility – The earlier of (a) age 55 with creditable service regardless of age.

Benefit – 15 years of creditable service, or (b) 20 years of creditable service as normal retirement benefit using AFC and creditable service as of early retirement date but payable at normal retirement date assuming continued employment. Alternatively, benefits may commence immediately after reduction of 0.5% for each month early retired.

Delayed Retirement

Eligibility – Retirement after normal retirement date.

Benefit – Calculated in the same manner as normal retirement benefit using AFC and creditable service as of delayed retirement date.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

BENEFITS PROVIDED (CONTINUED)

Disability Retirement

1. Service Connected:

- a) Eligibility – Total and permanent disability incurred prior to normal retirement date as a direct result of performance of service to the Town and eligible for social security disability benefits.
- b) Benefit – 75% (if injury) or 45% (if disease) of the rate of pay in effect on date of disability payable for life or until recovery. For general employees, less social security disability benefits; there is an offset for workers' compensation to the extent that the disability benefit plus the workers' compensation benefit exceed 100% of pre-retirement salary.

2. Non-Service Connected:

- a) Eligibility – Total and permanent disability not incurred as a direct result of performance of service to the Town.
- b) Benefit – Accrued pension benefit.

Death Benefit

1. Pre-Retirement – Refund of accumulated contributions.
2. After normal retirement date but before actual retirement – Survivor benefit payable in accordance with optional form of benefit chosen by member.
3. After Retirement – Refund of any remaining accumulated contributions or optional survivor's benefits if elected.

Termination Benefit

Upon termination prior to normal or early retirement date a member shall be entitled to choose (1) or (2) below, where:

1. A refund of accumulated contributions.
2. The benefit as for normal retirement using AFC and creditable service as of date of termination multiplied by the applicable percentage, commencing upon the earliest date a member would have attained normal retirement had the member remained in service (age 65 for general employees).

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

BENEFITS PROVIDED (CONTINUED)

Cost-of-Living Adjustment

Beginning January 1, 2004 and each January 1 thereafter, a 1.5% automatic annual cost of living increase is provided for all current and future retirees, disabled, beneficiaries and vested terminated members.

INVESTMENT POLICY

The following was the Board's adopted asset allocation policy target allocation during the fiscal year ended September 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	52%
International Equity	10
Fixed Income	25
Real Estate	10
Cash	<u>3</u>
Total	<u>100%</u>

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense, was 4.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the dollar-weighted rate of return calculation are determined on a monthly basis.

DEFERRED RETIREMENT OPTION PROGRAM

Police Officers

The Town maintains a Deferred Retirement Option Program (DROP) initially for police officers and communications operators only. The eligibility requirement is attainment of normal retirement date. The maximum period of participation in the DROP is five years. A police officer's account shall be credited with interest based upon the actual fund investment return. No payments may be made from the DROP until the employee actually separates from service with the Town. There are no police officers currently participating in the DROP program as of September 30, 2019.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

DEFERRED RETIREMENT OPTION PROGRAM (CONTINUED)

General Employees

Effective August 13, 2013, the Town Commission passed an Ordinance, which amended the Deferred Retirement Option Program (DROP) to include all members of the Plan who reach the earliest normal retirement age whereby such member shall be eligible to participate in the DROP plan. The maximum period of participation in the DROP is sixty months. Three (3) general employees are currently participating in the DROP as of September 30, 2019.

As of September 30, 2019, the combined balance in the DROP account was \$22,743. These amounts are included in the total investment balance presented on the statement of fiduciary net position.

NOTE 3 – INVESTMENTS

The investment activity of the Plan is directed by an investment consultant. All investments made or held by the Plan shall be limited to the following, as per the Plan's investment policy:

1. Cash equivalents.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.
3. Bonds issued by the State of Israel. Foreign equity investments shall not exceed 10% of the Plan assets.
4. Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state, organized territory of the United States, or District of Columbia provided the corporation is listed on the recognized national stock exchanges or on the National Market System of the NASDAQ stock market, the issuer has an investment quality rating within the top three rating classifications by at least two major services (Standard and Poor's, Moody's or Fitch). Up to 10% of the bond portfolio may be invested in the fourth rating classification (by two of the above rating services).

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – INVESTMENTS (CONTINUED)

5. Equity investments (common stock, convertible bonds and preferred stocks) in a corporation listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market and ETF exchange-traded funds.
6. Commingled equity, bond, real estate, or money market funds whose investments are restricted to securities meeting the criteria of this section. Investments in equities are not to exceed 70% of the Plan assets at market, and no more than 5% at cost of the equities may be invested in a single company.
7. Collective Investment Trust.

Investments held in trust for Plan benefits consisted of the following as of September 30:

	<u>2019</u>
Investments	
Money market funds	\$ 315,310
Certificates of deposit	30,137
U.S. treasury securities	177,751
U.S. government agency bonds	183,449
Municipal obligations	2,951,650
Corporate bonds	2,299,474
Mortgage backed securities	340,534
Equities	
Common stock and american depository receipts and exchange traded funds	6,855,861
Mutual funds	8,510,516
Real estate investment trusts	270,883
Collective investment trust	707,514
Core real estate fund	<u>1,487,439</u>
Total	<u>\$ 24,130,518</u>

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – INVESTMENTS (CONTINUED)

INTEREST RATE RISK

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. In accordance with its investment policy, the Plan manages its exposure to declines in the fair value of its securities through a conservative approach of managing portfolio exposure to duration, maturity and sector relative to market indices.

As of September 30, 2019, the Plan had the following investments and maturities subject to interest rate risk:

Investment Type	Fair Value	Sector Distribution
Corporate bonds	\$ 2,299,474	38.6%
U.S. government agency bonds	183,449	3.1%
U.S. treasury securities	177,751	3.0%
Mortgage backed securities	340,534	5.7%
Municipal obligations	<u>2,951,650</u>	<u>49.6%</u>
Total Fair Value	<u>\$ 5,952,858</u>	<u>100.0%</u>

Maturity Distribution		Credit Quality Distribution	
Years	% of Fixed Income Securities	Rating	% of Fixed Income Securities
0-1	6.6%	AAA	2.2%
1-5	20.6%	AA	61.8%
5-10	24.3%	A	20.6%
10+	<u>48.5%</u>	BBB	13.2%
	<u>100.0%</u>	Not Rated	<u>2.2%</u>
			<u>100.0%</u>

CUSTODIAL CREDIT RISK

Custodial credit risk is defined as the risk that the Plan may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts in the name of the Plan.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – INVESTMENTS (CONTINUED)

CREDIT RISK

State law limits investments in commercial paper to the two top ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Plan's policy to limit its investments in this investment type to the top two ratings issued by NRSROs. The Investment Policy of the Plan states it is permitted to invest in corporate bonds with an investment quality rating with the top three rating classifications by at least two major rating services (Standard & Poor's (S&P), Moody's or Fitch) and up to 10% of the bond portfolio may be invested in the 4th rating classification (by two of the noted rating services). The corporate bonds held by the Plan met the rating classifications and ranged from BBB to AAA under S&P and from BAA1 to A1 under Moody's. The mortgage backed securities were rated AA+ and Aaa by S&P and Moody's, respectively. U.S. Government Agency obligations or obligations guaranteed by an agency of the U.S. Government are not subject to credit risk.

CONCENTRATION OF CREDIT RISK

The Plan's investment policy does not allow for an investment in any one issuer, other than U.S. Government securities, that is in excess of five percent (5%) of the Plan's total investments. No investment in any one organization represents five percent (5%) or more of the fiduciary net position restricted for pension benefits.

RISKS AND UNCERTAINTIES

The Plan has investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect balances and the amounts reported in the statement of fiduciary net position and the statement of changes in fiduciary net position. The Plan, through its investment consultant, monitors the Plan's investments and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY

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 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.

Level 1 - Investments' fair values based on prices quoted in active markets for identical assets.

Level 2 - Investments' fair values based on 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 - Investments' fair values based upon unobservable inputs.

The following is a description of the fair value techniques for the Plan's investments. Level 1 and 2 prices are obtained from various pricing sources by the Plan's custodian bank:

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. This includes domestic and foreign common stock, American depository receipts (ADR), and exchange traded funds (ETF).

Debt securities classified in Level 2 of the fair value hierarchy are valued using pricing inputs that reflect the assumptions market participants would use to price an asset or liability and are developed based on market data obtained from sources independent of the reporting entity. This includes U.S. Treasury and Government Agency bonds, corporate bonds, municipal bonds and mortgage backed securities.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

The following is a summary of the fair value hierarchy of investments as of September 30, 2019:

	Fair Value Measurements Using			
	9/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities				
U.S. Treasury securities	\$ 177,751	\$ --	\$ 203,499	\$ --
Corporate bonds	2,299,474	--	2,299,474	--
Municipal obligations	2,951,650	--	2,951,650	--
Mortgage backed securities	340,534	--	340,534	--
U.S. Government agency bonds	183,449	--	183,449	--
Total debt securities	<u>5,952,858</u>	--	<u>5,978,606</u>	--
Equity securities				
Common stock, ADR's, and ETF's	6,855,861	6,855,861	--	--
Mutual funds	8,510,516	8,510,516	--	--
Real Estate Investment Trusts	270,883	270,883	--	--
Total equity securities	<u>15,637,260</u>	<u>15,637,260</u>	--	--
Total investments by fair value level	<u>21,590,118</u>	<u>\$ 15,637,260</u>	<u>\$ 5,978,606</u>	<u>\$ --</u>
Investments Measured at Net Asset Value (NAV)*				
Core real estate fund	1,487,439			
Collective investment trust	707,514			
Total investments measured at NAV	<u>2,194,953</u>			
Money market funds (exempt)	315,310			
Certificates of deposit (exempt)	30,137			
Total investments	<u>\$ 24,130,518</u>			

* 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.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

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

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Core Real Estate Fund ⁽¹⁾	\$1,487,439	\$ --	Quarterly	N/A
Collective Investment Trust ⁽²⁾	\$ 707,514	\$ --	5 Day Notice	N/A

(1) *Core Real Estate Fund. This fund is an open-end core real estate fund with a diversified portfolio of income producing institutional properties throughout the U.S. This investment is valued at NAV and is redeemable on a quarterly basis.*

(2) *Collective Investment Trust. This fund investment objective is to seek to achieve maximum total return by investing globally in publicly traded infrastructure companies. This investment is valued at NAV and is redeemable with 5-day notice.*

NOTE 4 – TAX STATUS

It is the Board’s position that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 5 – NET PENSION LIABILITY OF THE TOWN

The components of the Town’s net pension liability at September 30, 2019:

Total pension liability	\$ 27,531,518
Plan fiduciary net position	<u>(24,188,592) ⁻¹</u>
Net Pension Liability	<u>\$ 3,342,926</u>
Plan fiduciary net position as a percentage of the total pension liability	87.86%

(1) The Plan fiduciary net position above does not agree to the Plan fiduciary net position presented in the statement of fiduciary net position as of September 30, 2019. The difference of \$57,617 was caused by an adjustment that was made after the actuary finalized their report.

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of October 1, 2018 rolled forward to September 30, 2019 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Investment rate of return	7.25%

RP 2000 Annuitant Combined Healthy – Sex Distinct. For disabled participants, the RP 2000 Combined Disabled Mortality Table was used with separate rates for males and females with fully generational mortality improvements projected to each future decrement date with Scale AA.

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on Plan investments was determined based upon the historical average (means returns) which best-estimate ranges of expected future real rates of return. In order to determine the real rates of return, it is necessary to subtract the expected inflation rate from the nominal investment return and investment expenses. The long-term expected rate of return for the Plan was calculated by weighting the expected future rates of return of each asset class by the corresponding target allocation percentages.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 5 – NET PENSION LIABILITY OF THE TOWN (CONTINUED)

LONG-TERM EXPECTED RATE OF RETURN

Best estimates of real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2019 is summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	7.30%
International Equity	2.70%
Fixed Income	3.60%
Real Estate	6.10%
Cash	0.60%

DISCOUNT RATE

The discount rate for September 30, 2019 used to measure the total pension liability was 7.25%. This discount rate was based on the expected rate of return on Plan investment. The projection of cash flow used to determine this discount rate assumed that Plan member 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 member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability of the Town.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Town's net pension liability of the Plan sponsor for September 30, 2019, calculated using the following discount rates below:

	Net Pension Liability		
	1%	Current	1%
	Decrease (6.25%)	Discount Rate (7.25%)	Increase (8.25%)
Net Pension Liability	\$ 7,398,878	\$ 3,342,926	\$ 36,212

REQUIRED SUPPLEMENTARY INFORMATION

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE
TOWN'S NET PENSION LIABILITY AND RELATED RATIOS**

Measurement Date, September 30,	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,113,128	\$ 1,002,537	\$ 1,052,014	\$ 932,365	\$ 901,998	\$ 888,988
Interest	1,870,676	1,745,881	1,646,114	1,458,652	1,336,817	1,227,596
Benefit changes	--	--	282,066	--	--	35,244
Difference between actual and expected experience	388,826	(348,726)	297,252	(35,527)	100,031	170,264
Changes of assumptions	--	--	93,312	402,653	--	--
Benefit payments, including refunds of member contributions	(1,308,821)	(819,116)	(651,287)	(602,692)	(665,019)	(545,746)
Net Change in Total Pension Liability	2,063,809	1,580,576	2,719,471	2,155,451	1,673,827	1,776,346
Total Pension Liability - Beginning	25,467,709	23,887,133	21,167,662	19,012,211	17,338,384	15,562,038
Total Pension Liability - Ending (a)	<u>\$ 27,531,518</u>	<u>\$ 25,467,709</u>	<u>\$ 23,887,133</u>	<u>\$ 21,167,662</u>	<u>\$ 19,012,211</u>	<u>\$ 17,338,384</u>
Plan Fiduciary Net Position						
Contributions - Town	\$ 817,472	\$ 917,274	\$ 797,359	\$ 757,304	\$ 727,022	\$ 631,584
Contributions - Members	498,404	459,190	462,846	383,619	387,678	349,600
Net investment income	990,373	1,579,816	2,017,750	1,850,415	(128,796)	1,396,431
Benefit payments, including refunds of member contributions	(1,308,821)	(819,116)	(651,287)	(602,690)	(665,019)	(545,746)
Administrative expense	(118,212)	(120,389)	(85,518)	(130,686)	(85,426)	(80,194)
Net Change in Plan Fiduciary Net Position	879,216	2,016,775	2,541,150	2,257,962	235,459	1,751,675
Plan Fiduciary Net Position - Beginning	23,309,376	21,292,601	18,751,451	16,493,489	16,258,030	14,506,355
Plan Fiduciary Net Position - Ending (b)	¹ <u>\$ 24,188,592</u>	<u>\$ 23,309,376</u>	<u>\$ 21,292,601</u>	<u>\$ 18,751,451</u>	<u>\$ 16,493,489</u>	<u>\$ 16,258,030</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,342,926</u>	<u>\$ 2,158,333</u>	<u>\$ 2,594,532</u>	<u>\$ 2,416,211</u>	<u>\$ 2,518,722</u>	<u>\$ 1,080,354</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.86%	91.53%	89.14%	88.59%	86.75%	93.77%
Covered Payroll	\$ 6,239,285	\$ 5,849,505	\$ 5,766,823	\$ 5,710,172	\$ 5,321,296	\$ 5,305,109
Net Pension Liability as a Percentage of Covered Payroll	53.58%	36.90%	44.99%	42.31%	47.33%	20.36%

⁽¹⁾ The Plan fiduciary net position above does not agree to the Plan fiduciary net position presented in the statement of fiduciary net position as of September 30, 2019. The difference of \$57,617 was caused by an adjustment that was made after the actuary finalized their report.

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.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF TOWN CONTRIBUTIONS
LAST 10 FISCAL YEARS**

Fiscal Year End 9/30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$ 553,919	\$ 553,919	\$ --	\$ 4,059,522	13.64%
2011	625,963	625,963	--	4,016,852	15.58%
2012	515,440	515,440	--	4,053,208	12.72%
2013	534,209	534,209	--	4,359,957	12.25%
2014	631,584	631,584	--	5,305,109	11.91%
2015	727,022	727,022	--	5,321,296	13.66%
2016	757,304	757,304	--	5,710,172	13.26%
2017	797,359	797,359	--	5,766,823	13.83%
2018	917,274	917,274	--	5,849,505	15.68%
2019	817,472	817,472	--	6,239,285	13.10%

Notes to the Schedule

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Significant methods and assumptions based on the October 1, 2017 actuarial valuation were used to determine contribution rates for fiscal year end September 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Asset valuation method	5 year smoothed market
Salary increases	4.0% - 8.0%
Inflation	2.5%
Cost of living adjustments	1.5%
Investment rate of return	7.25%

Mortality rates were based on the RP 2000 Annuitant Combined Healthy – Sex Distinct. For disabled participants, the RP 2000 Combined Disabled Mortality Table was used with separate rates for males and females with fully generational mortality improvements projected to each future decrement date with Scale AA.

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

September 30,	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	4.34%	7.64%	10.87%	11.30%	-0.30%	9.80%

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.

SUPPLEMENTARY INFORMATION

**RETIREMENT PLAN FOR EMPLOYEES OF THE
TOWN OF SURFSIDE**

SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES

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

	2019	2018
Administrative Expenses		
Professional Services		
Actuarial	\$ 36,569	\$ 51,941
Attorney	29,978	16,696
Auditing services	15,258	17,921
Memberships	--	700
Secretarial and other	14,579	12,254
Plan Administrator	16,290	14,513
Total Professional Services	112,674	114,025
Insurance Expense		
Fiduciary liability insurance	5,535	6,364
Total Administrative Expenses	\$ 118,209	\$ 120,389
Investment Expenses		
Investment Manager Fees		
Highland Capital Management	\$ 43,062	\$ 41,741
New Tower Trust	12,713	11,985
Westwood Trust	5,128	6,064
Total Investment Manager Fees	60,903	59,790
Investment Consultant Fees		
Burgess Chambers	25,000	25,000
Custodian Fees		
SunTrust Bank	25,486	24,913
Total Investment Expenses	\$ 111,389	\$ 109,703

REPORTING SECTION

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

To the Pension Board and the Plan Administrator
Retirement Plan for Employees of the Town of Surfside

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 Retirement Plan for Employees of the Town of Surfside (the Plan), as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Miami, FL
June 29, 2020