

**LAKE WORTH
FIREFIGHTERS' RELIEF AND
PENSION FUND - DIVISION II**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

**LAKE WORTH FIREFIGHTERS’
RELIEF AND PENSION FUND - DIVISION II**

YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
City of Lake Worth Firefighters' Relief and Pension Fund – Division II

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Lake Worth Firefighters' Relief and Pension Fund – Division II, which comprise the statement of fiduciary net position as of December 31, 2023, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Lake Worth Firefighters' Relief and Pension Fund – Division II as of December 31, 2023, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 and the schedule of investment returns on page 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Required Supplementary Information (Continued)

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Prior Year Comparative Information

We have previously audited the City of Lake Worth Firefighters' Relief and Pension Fund – Division II's 2022 financial statements, and our report dated May 23, 2023, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2024, on our consideration of the City of Lake Worth Firefighters' Relief and Pension Fund – Division II'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 City of Lake Worth Firefighters' Relief and Pension Fund – Division II'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 City of Lake Worth Firefighters' Relief and Pension Fund – Division II's internal control over financial reporting and compliance.

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

Weston, Florida
May 28, 2024

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LAKE WORTH FIREFIGHTERS’ RELIEF AND PENSION FUND - DIVISION II

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the annual financial report presents Management’s Discussion and Analysis (MD&A) of the Lake Worth Firefighters’ Relief and Pension Fund – Division II’s (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for the year ended December 31, 2023. 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 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.

Financial Highlights

The Plan’s net results from operations for fiscal year 2023 reflected the following financial activities:

- Total fiduciary net position was \$2,283,215, which was 48% greater than the 2022 total fiduciary net position, with the increase due primarily to favorable market conditions.
- Total contributions for the year were \$527,844, which was 178% greater than the 2022 contributions. The amount of state contributions varies from year to year and is determined by the amount of property insurance premium taxes collected.
- Total interest and dividend earnings were \$41,036, which was 24% greater than the 2022 earnings.
- Net investment income was \$280,488, which was 182% greater than the 2022 net investment loss, with the increase due primarily to favorable market conditions.
- Benefits paid directly to retirees were \$11,343, which was 97% lower than the benefits paid directly to retirees during 2022 with the decrease due primarily to less distributions requested by participants.

LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Fiduciary Net Position

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

It should be noted that Plan funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Fiduciary net position as of December 31, 2023 was \$2,283,215, which was a 48% increase from fiduciary net position as of December 31, 2022.
- Total investments as of December 31, 2023 were \$2,292,567, which was a 48% increase from the investments as of December 31, 2022.

The table below presents condensed comparative statements of fiduciary net position as of December 31:

	2023	2022	% Change
Total receivables	\$ 6,285	\$ 11,076	(43%)
Prepaid expenses	-	8,400	(100%)
Investments, at fair value	2,292,567	1,547,791	48%
Total assets	2,298,852	1,567,267	47%
Account payable	5,283	6,698	(21%)
Account payable - purchase of investments	10,354	16,368	(37%)
Total liabilities	15,637	23,066	(32%)
Net position restricted for pensions	\$ 2,283,215	\$ 1,544,201	48%

Statement of Changes in Fiduciary Net Position

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

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

- Revenues (additions to the fiduciary net position) for the Plan were \$808,332, which was made up of contributions of \$527,844 and net investment income of \$280,448.
- Expenses (deductions from the fiduciary net position) decreased from \$383,523 during 2022 to \$69,318 during 2023.

LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

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 years ended December 31:

	2023	2022	% Change
Total contributions	\$ 527,844	\$ 190,150	178%
Net investment income (loss)	280,488	(341,456)	182%
Other income	-	372	(100%)
Total additions	808,332	(150,934)	636%
Total deductions	69,318	383,523	(82%)
Net change in net position restricted for pensions	739,014	(534,457)	238%
Net position restricted for pensions - beginning	1,544,201	2,078,658	(26%)
Net position restricted for pensions - ending	\$ 2,283,215	\$ 1,544,201	48%

Asset Allocation

The table below indicates the Plan investment policy limitations and actual asset allocations as of December 31, 2023:

Type of Investment	Investment policy	Actual Allocation
Domestic equities	40%-65%	47.76%
International securities	0%-25%	12.25%
Fixed income	30%-50%	36.57%
Cash and cash equivalents	Minimal	3.42%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control the 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.

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 a 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 reviewed on August 22, 2023.

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.

LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis Summary

The investment activities, for the year ended December 31, 2023 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's Financial Management

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

The Resource Centers, LLC,
c/o Lake Worth Firefighters' Relief and Pension Fund
4360 Northlake Blvd, Suite 206,
Palm Beach Gardens, FL 33410

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LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
RECEIVABLES:		
Accrued investment income	\$ 6,285	\$ 3,386
Accounts receivable - sale of investments	<u>-</u>	<u>7,690</u>
TOTAL RECEIVABLES	<u>6,285</u>	<u>11,076</u>
PREPAID EXPENSE	<u>-</u>	<u>8,400</u>
INVESTMENTS, AT FAIR VALUE:		
Equity securities	1,363,332	944,388
Government securities	668,488	313,169
Corporate bonds	182,483	169,496
Money market funds	<u>78,264</u>	<u>120,738</u>
TOTAL INVESTMENTS, AT FAIR VALUE	<u>2,292,567</u>	<u>1,547,791</u>
TOTAL ASSETS	<u>2,298,852</u>	<u>1,567,267</u>
LIABILITIES		
ACCOUNTS PAYABLE	5,283	6,698
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	<u>10,354</u>	<u>16,368</u>
TOTAL LIABILITIES	<u>15,637</u>	<u>23,066</u>
NET POSITION RESTRICTED FOR PENSIONS		
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 2,283,215</u>	<u>\$ 1,544,201</u>

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

LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2022)

	<u>2023</u>	<u>2022</u>
ADDITIONS:		
Contributions from State of Florida	\$ 527,844	\$ 190,150
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	270,051	(341,818)
Interest and dividend income	41,036	33,035
Total investment income (loss)	311,087	(308,783)
Less: investment expenses	30,599	32,673
Net investment income (loss)	280,488	(341,456)
Other income	-	372
TOTAL ADDITIONS	<u>808,332</u>	<u>(150,934)</u>
DEDUCTIONS:		
Benefit payments	11,343	334,761
Distributions to Lake Worth Beach Firefighters' Pension - Division I	21,645	15,180
Administrative expenses	36,330	33,582
TOTAL DEDUCTIONS	<u>69,318</u>	<u>383,523</u>
NET CHANGE IN NET POSITION RESTRICTED FOR PENSIONS	739,014	(534,457)
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>1,544,201</u>	<u>2,078,658</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u>\$ 2,283,215</u>	<u>\$ 1,544,201</u>

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

LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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).

Purchases 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 Lake Worth Firefighters' Relief and Pension Fund – Division II's (the Plan) gains and losses on investments bought and sold as well as held during the year.

Basis of Accounting and Use of Estimates

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

Concentration of Credit Risk

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

The Plan's investments consist of: common stock, international funds, equity mutual fund, corporate bonds, government securities, and money market funds. Inherent in the fair market value determination, includes the risk factor of credit worthiness for 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 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 December 31, 2022, from which the information was derived.

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LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the Plan provides only general information. Participants should refer to the ordinances of the City of Lake Worth, Florida (the City) and Florida statutes for more detailed and comprehensive information.

General

The Plan is a defined contribution plan covering all firefighters employed in the fire division of the City. It was created by Ordinance Number 91-32, Section 16-100 of the City laws, amended by Ordinance Number 2010-22 and 2013-33. It is governed by a Board of Trustees made up of representatives of the fire fighters and the City.

Effective October 1, 2009, the City of Lake Worth Fire Department merged with the Palm Beach County Fire Department. At that point, the Plan became closed to future participants.

The Plan is administered by a board of five trustees comprised of three employees of the fire department elected by the fire participants, the fire chief and a fifth member appointed by the board.

Plan Participation

As of December 31, 2023, Plan participation consisted of the following:

Retirees and beneficiaries	1
Fully vested, partially vested and non-vested active employees covered by the Plan	<u>8</u>
Total	<u>9</u>

Participant Accounts

Each participant's account is credited with 1) a ratable portion of the State of Florida's contribution, net of administrative expenses, based on months of service with the City during the contribution year, 2) a ratable portion of the investment income earned, net of investment expenses, based on the relative size of the participant's account balance at the beginning of the fiscal year and 3) a ratable portion of forfeitures from participants terminating employment with 9 years or less of service, based on the relative size of the participant's account balance. Each participant's account is charged with any distributions to that participant.

Benefits

Each participant's account is payable in full or in monthly amounts (over a period not to exceed five years), upon retirement, death or separation from the City as a result of injuries incurred in the line of duty which render the participant totally and permanently incapacitated. Share accounts are payable based upon a graduated scale upon separation from the City as a result of illness, accident or sickness not incurred in the line of duty prior to completing nine years of service.

LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

A participant with ten or more years of credited service with the City may utilize his or her Share Account to purchase up to four years of credited service for the years or fractional parts of years the participant served in active military service.

A participant with ten or more years of credited service with the City may utilize his or her Share Account to purchase credited service for the time a participant served as a full-time firefighter employed by another city, county, state, federal or other public agency.

Funding

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

Termination

Although there is no intent to do so, the ordinance provides for termination of the Plan subject to provisions of the applicable state statutes.

Rate of Return

For the year ended December 31, 2023, the annual money-weighted rate of return on Plan investments, net of Plan investment expenses was 15.41%. 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 August 22, 2023. The following was the Board's adopted asset allocation policy as of December 31, 2023:

<u>Type of Investment</u>	<u>Target Allocation Range</u>
Domestic equities	40%-65%
International securities	0%-25%
Fixed income	30%-50%
Cash and cash equivalents	Minimal

LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023
(Continued)

NOTE 3. INVESTMENTS (Continued)

During the year ended December 31, 2023 the Plan's investments (including gains and losses on investments bought and sold, as well as held, during the year) appreciated in value by \$270,051 (reported as net appreciation in fair value of investments in the accompanying statement of changes in fiduciary net position) as follows:

Common stocks	\$ 239,988
Equity mutual fund	231
Government securities	22,539
Corporate bonds	<u>7,293</u>
Total	<u>\$ 270,051</u>

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 currently 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 government securities and corporate bonds 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	\$ 182,483	\$ 16,728	\$ 77,558	\$ 5,123	\$ 83,074
U.S. Agencies	443,650	39,170	126,756	98,804	178,920
U.S. Treasuries	<u>224,838</u>	<u>10,865</u>	<u>76,584</u>	<u>104,470</u>	<u>32,919</u>
Totals	<u>\$ 850,971</u>	<u>\$ 66,763</u>	<u>\$ 280,898</u>	<u>\$ 208,397</u>	<u>\$ 294,913</u>

"Concentration of investment risk" is the risk of losses that may occur from having a large portion of the Plan's holding in a particular investment relative to the overall portfolio. GASB Statement 40 and GASB Statement 67, require disclosure of investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5% or more of total investments or fiduciary net position. As of December 31, 2023, there were no investments that represent 5% or more of total investments or fiduciary net position.

The term "credit risk" is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Plan limits its credit risk by limiting its investments in fixed income securities to U.S. Government and agency securities or corporate bonds. Total fixed income portfolio must meet or exceed an average credit rating of "Aa" or higher by Moody's or Standard & Poor's ratings services.

LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023
(Continued)

NOTE 3. INVESTMENTS (Continued)

The Plan's fixed income securities were rated by Moody's Investors Services as follows:

<u>Rating</u>	<u>Fair Value</u>
Aaa	\$ 304,498
Aa2	33,550
Aa3	13,812
A1	59,567
A2	17,860
A3	30,613
Baa1	11,165
Baa2	2,737
Unrated	<u>377,169</u>
Total	<u>\$ 850,971</u>

"Custodial risk" is the risk that, in the event of the failure of a counterparty, the Plan will not be able to recover the value of its investments or collateral securities in possession of an outside party. To avoid this risk, the Plan registers all securities in its own name.

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars as well as the carrying value of foreign investments. In order to eliminate this risk, all foreign company shares owned by the Plan are purchased through American Depository Receipts (ADRs). ADRs are non-U.S. equity issued in U.S. dollars and have no foreign currency risk. The Plan's total holdings in ADRs was \$268,318 as of December 31, 2023.

The investment policy limits the foreign investments to no more than 25% of the Plan's investment balance. As of December 31, 2023, the foreign investments were 12.25% of total investments.

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.

LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

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

Common stock and international funds: 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.

Mutual fund: Valued at the daily closing price as reported by the Plan. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

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.

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

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LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table represents the Plan's fair value hierarchy for investments at fair value as of December 31, 2023:

	<u>Total</u>	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$ 1,090,993	\$ 1,090,993	\$ -	\$ -
International funds	268,318	268,318	-	-
Equity mutual fund	<u>4,021</u>	<u>4,021</u>	-	-
Total equity securities	<u>1,363,332</u>	<u>1,363,332</u>	<u>-</u>	<u>-</u>
Debt securities:				
Corporate bonds	182,483	-	182,483	-
U.S. Treasury securities	224,838	191,918	32,920	-
U.S. Agency securities	<u>443,650</u>	<u>-</u>	<u>443,650</u>	<u>-</u>
Total debt securities	<u>850,971</u>	<u>191,918</u>	<u>659,054</u>	<u>-</u>
Total investments by fair value level	2,214,303	<u>\$ 1,555,250</u>	<u>\$ 659,054</u>	<u>\$ -</u>
Money market funds (exempt) ^(a)	<u>78,264</u>			
Total investments	<u>\$ 2,292,567</u>			

(a) As required by GAAP, certain investments have not been classified in the fair value hierarchy. The fair value amounts presented in the table on the previous page for money market funds were intended to permit reconciliation of the fair value hierarchy to the total investment line item in the statement of fiduciary net position.

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LAKE WORTH FIREFIGHTERS' RELIEF AND PENSION FUND - DIVISION II

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(Continued)

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.

NOTE 6. RELATED PARTY TRANSACTIONS

City of Lake Worth Firefighters' Pension Trust Fund – Division I (Division I) and the Plan are related by common participants.

The Plan and Division I share Chapter 175 monies. Division I receives the supplemental portion of these monies while the Plan receives the regular distribution from the State.

The Plan transfers to Division I the balance of the amount, if any, needed to satisfy the actuarially determined required contribution to the Division I Plan. During the year ended December 31, 2023 the Plan transferred \$21,645 to Division I.

NOTE 7. INCOME TAXES

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

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Plan through May 28, 2024, the date the financial statements were available to be issued.

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**LAKE WORTH FIREFIGHTERS'
RELIEF AND PENSION FUND - DIVISION II**

SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2023

**LAKE WORTH FIREFIGHTERS’
RELIEF AND PENSION FUND - DIVISION II**

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2022)

	<u>2023</u>	<u>2022</u>
ADMINISTRATIVE EXPENSES:		
Accounting fees	\$ 10,050	\$ 8,665
Administrative fees	12,842	12,515
Dues and subscriptions	750	750
Insurance	3,277	3,252
Legal	8,400	8,400
Travel	<u>1,011</u>	<u>-</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 36,330</u>	<u>\$ 33,582</u>

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

**LAKE WORTH FIREFIGHTERS'
RELIEF AND PENSION FUND - DIVISION II**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2023

**LAKE WORTH FIREFIGHTERS’
RELIEF AND PENSION FUND - DIVISION II**

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

Year Ended	Annual money- weighted rate of return net of investment
<u>December 31</u>	<u>expense</u>
2023	15.41%
2022	(18.63%)
2021	8.57%
2020	7.26%
2019	18.25%
2018	(9.85%)
2017	10.16%
2016	6.51%
2015	(0.68%)
2014	6.40%

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

**LAKE WORTH FIREFIGHTERS'
RELIEF AND PENSION FUND - DIVISION II**

COMPLIANCE REPORT

DECEMBER 31, 2023



**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 Lake Worth Firefighters’
Relief and Pension Fund – Division II

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 Lake Worth Firefighters’ Relief and Pension Fund – Division II, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Lake Worth Firefighters’ Relief and Pension Fund – Division II’s basic financial statements, and have issued our report thereon dated May 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lake Worth Firefighters’ Relief and Pension Fund – Division II’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 Lake Worth Firefighters’ Relief and Pension Fund – Division II’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Worth Firefighters’ Relief and Pension Fund – Division II’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Plan’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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**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)

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 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
May 28, 2024

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