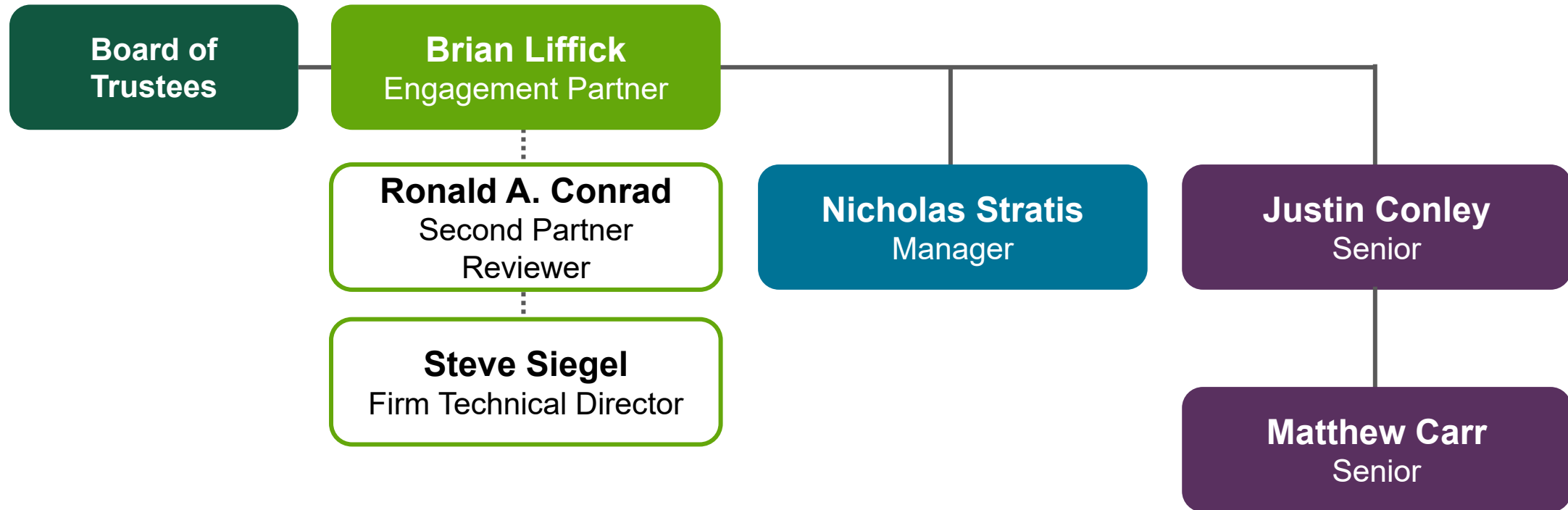




City of Boynton Beach General Employees' Pension Plan **Audit Executive Summary**

February 27, 2023

Client Service Team





Agenda

- ▶ Results of the Audit
- ▶ Significant Audit Matters
- ▶ Internal Control Communication
- ▶ Corrected and Uncorrected Misstatements
- ▶ Qualitative Aspects of Accounting Practices
- ▶ Independence Considerations
- ▶ Other Required Communications
- ▶ Other Matters
- ▶ Upcoming Financial Reporting Changes
- ▶ Financial Highlights

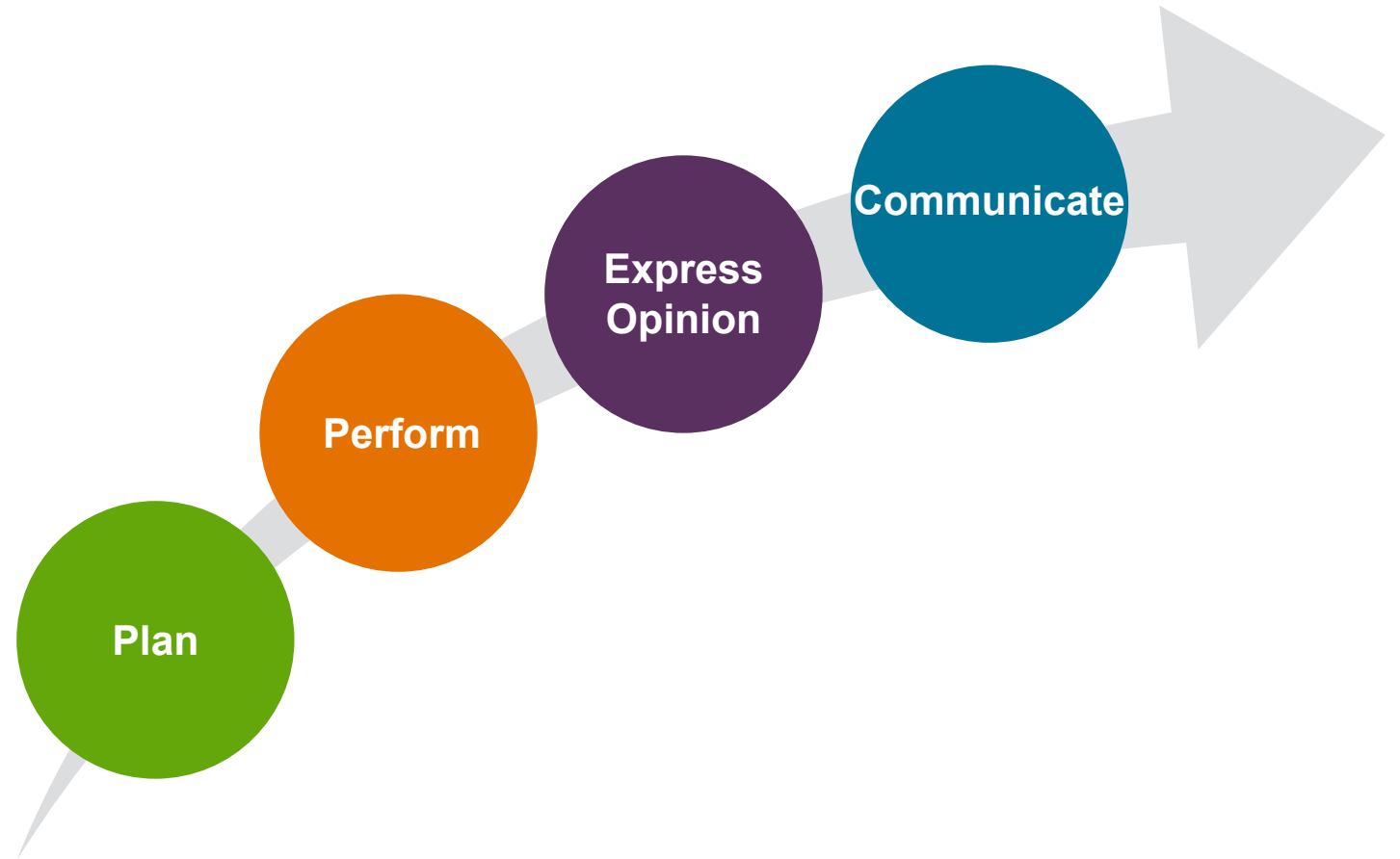
This information is intended solely for the use of the Board of Trustees of City of Boynton Beach General Employees' Pension Plan and is not intended to be, and should not be, used by anyone other than these specified parties.



Results of the Audit

We have audited the financial statements of the City of Boynton Beach General Employees' Pension Plan (the "Plan") for the year ended September 30, 2022, in accordance with generally accepted auditing standards and *Government Auditing Standards*, and we have issued our report thereon dated February 27, 2023.

Our report included an unmodified opinion on the financial statements.



Significant Audit Matters

Management Override of Controls

- Procedures:
 - Exercised professional judgment
 - Performed testing over journal entries identified as non-standard
 - Conducted walkthroughs over key controls identified through process narratives prepared by management
 - Reviewed accounting estimates for bias
 - Conducted fraud inquiry discussions
- Findings:
 - None noted



Internal Control Communication

In planning and performing our audit, we considered 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 Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.



Internal Control Communication

Material Weakness

- ▶ 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.

Significant Deficiency

- ▶ 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.

There were no significant deficiencies or material weaknesses reported.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Corrected Misstatements

► None noted.

Uncorrected Misstatements

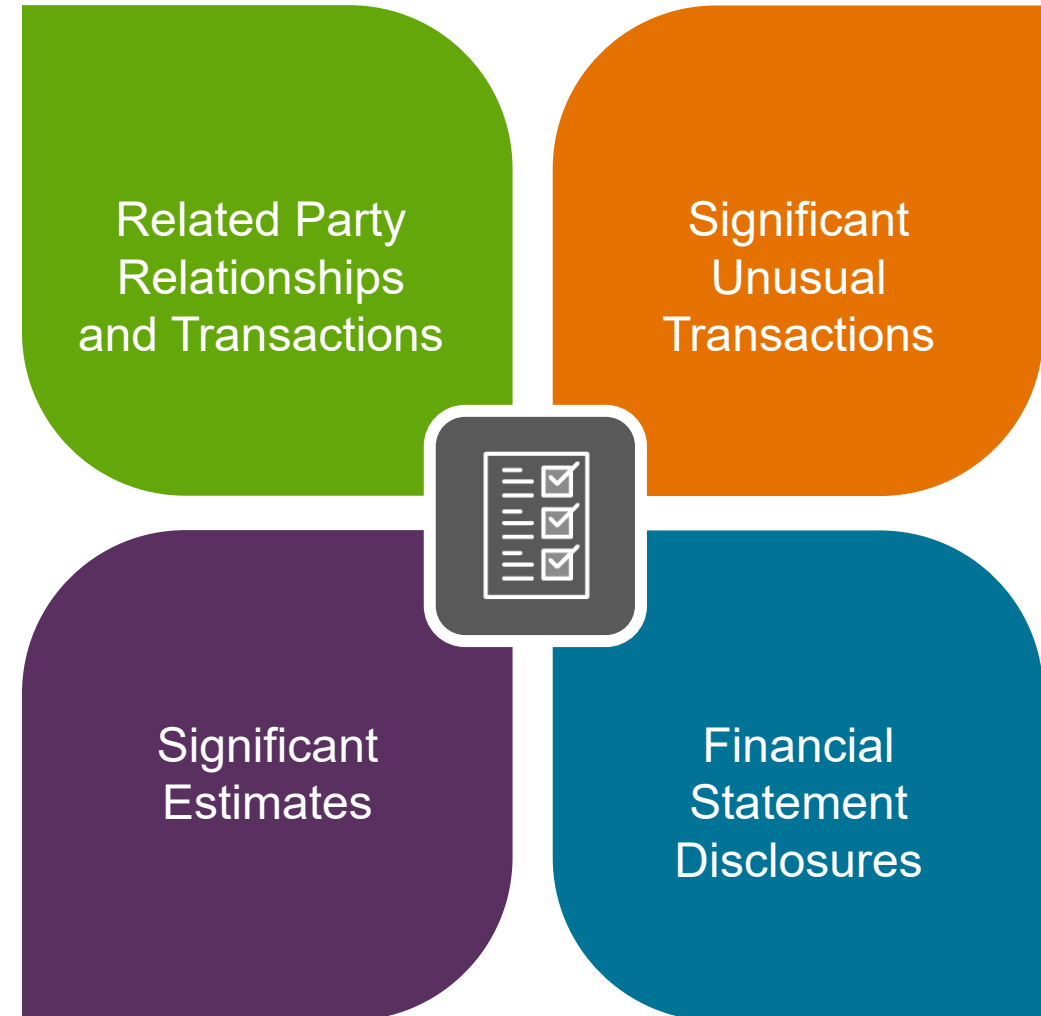
► None noted.



Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no inappropriate accounting policies or practices.

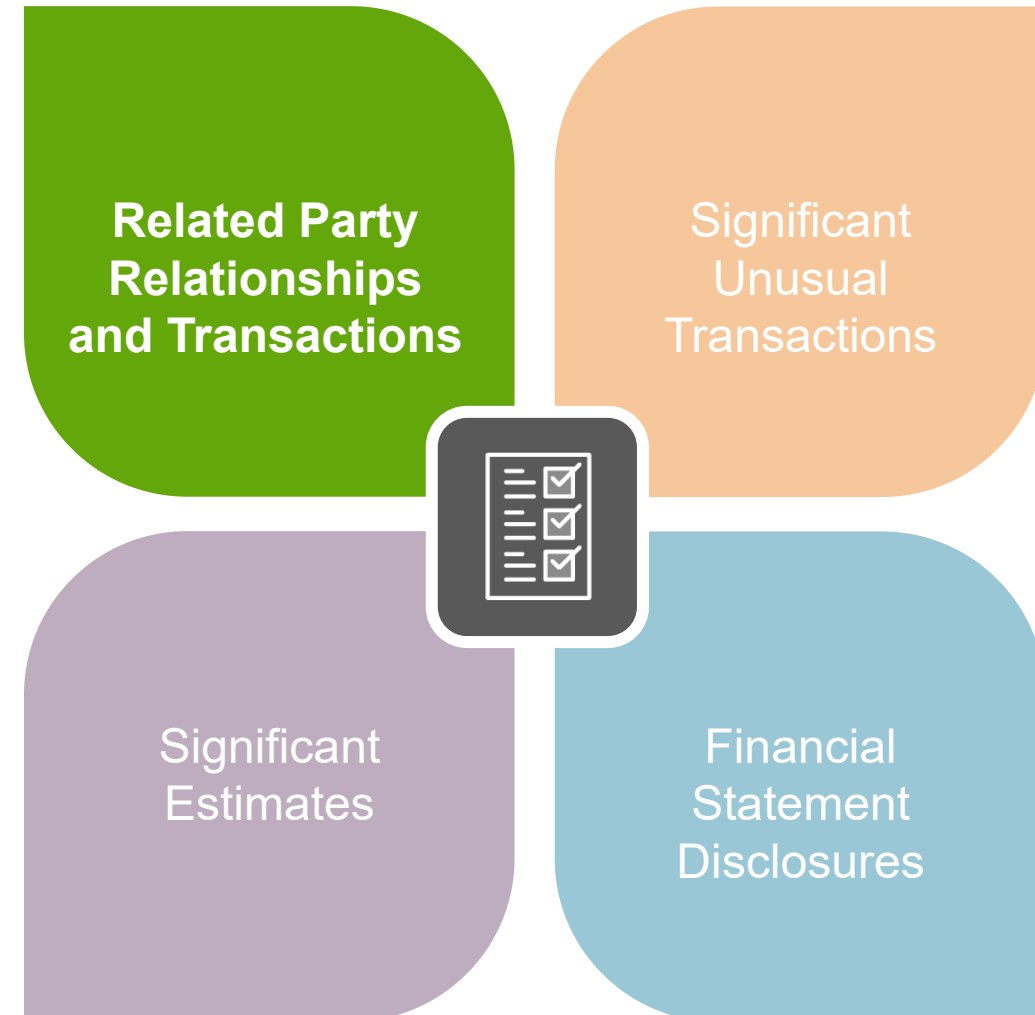


Qualitative Aspects of Accounting Practices

As part of our audit, we evaluated the Plan's identification of, accounting for, and disclosure of the Plan's relationships and transactions with related parties as required by professional standards.

We noted none of the following:

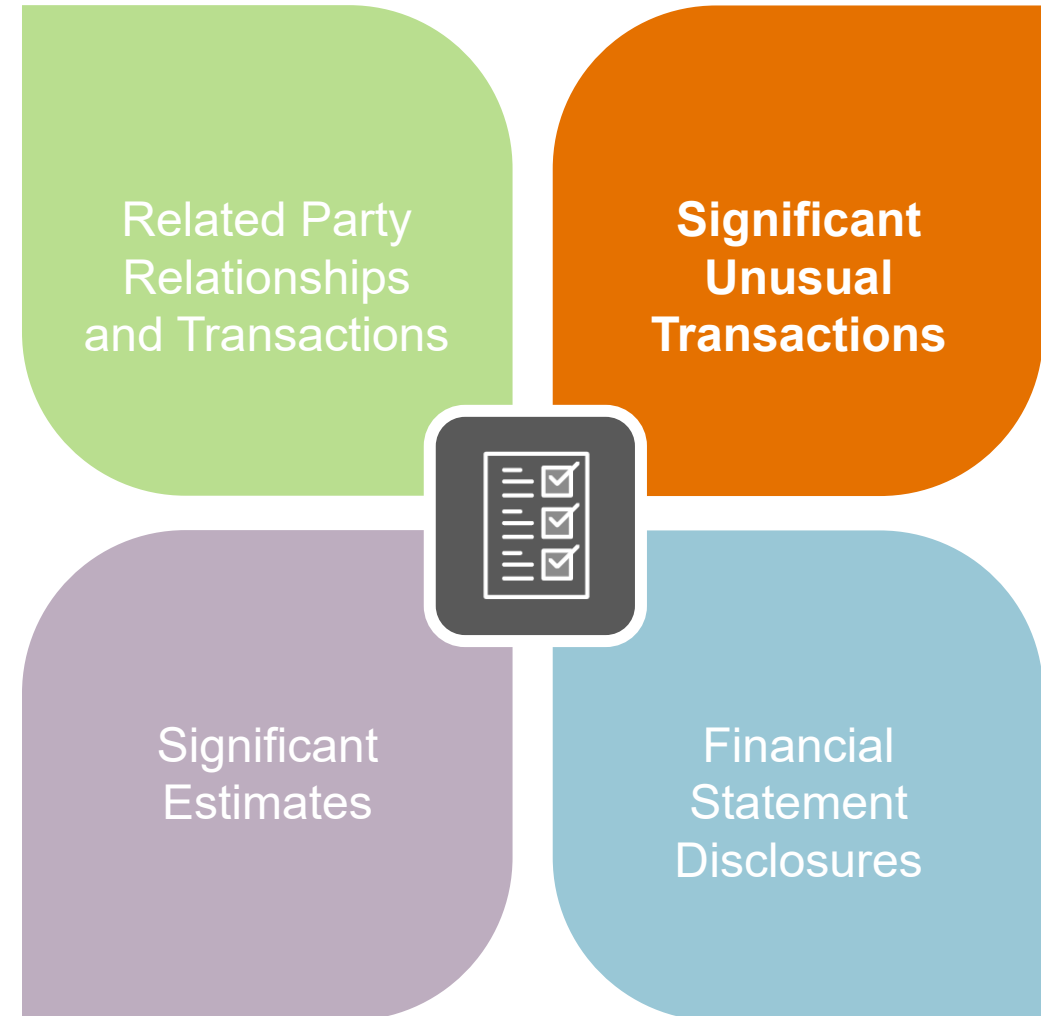
- Related parties or related party relationships or transactions that were previously undisclosed to us;
- Significant related party transactions that have not been approved in accordance with the Plan's policies or procedures or for which exceptions to the Plan's policies or procedures were granted;
- Significant related party transactions that appeared to lack a business purpose;
- Noncompliance with applicable laws or regulations prohibiting or restricting specific types of related party transactions;
- Difficulties in identifying the party that ultimately controls the entity.



Qualitative Aspects of Accounting Practices

We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

For purposes of this letter, professional standards define significant unusual transactions as transactions that are outside the normal course of business for the Plan or that otherwise appear to be unusual due to their timing, size, or nature. We noted no significant unusual transactions during our audit.

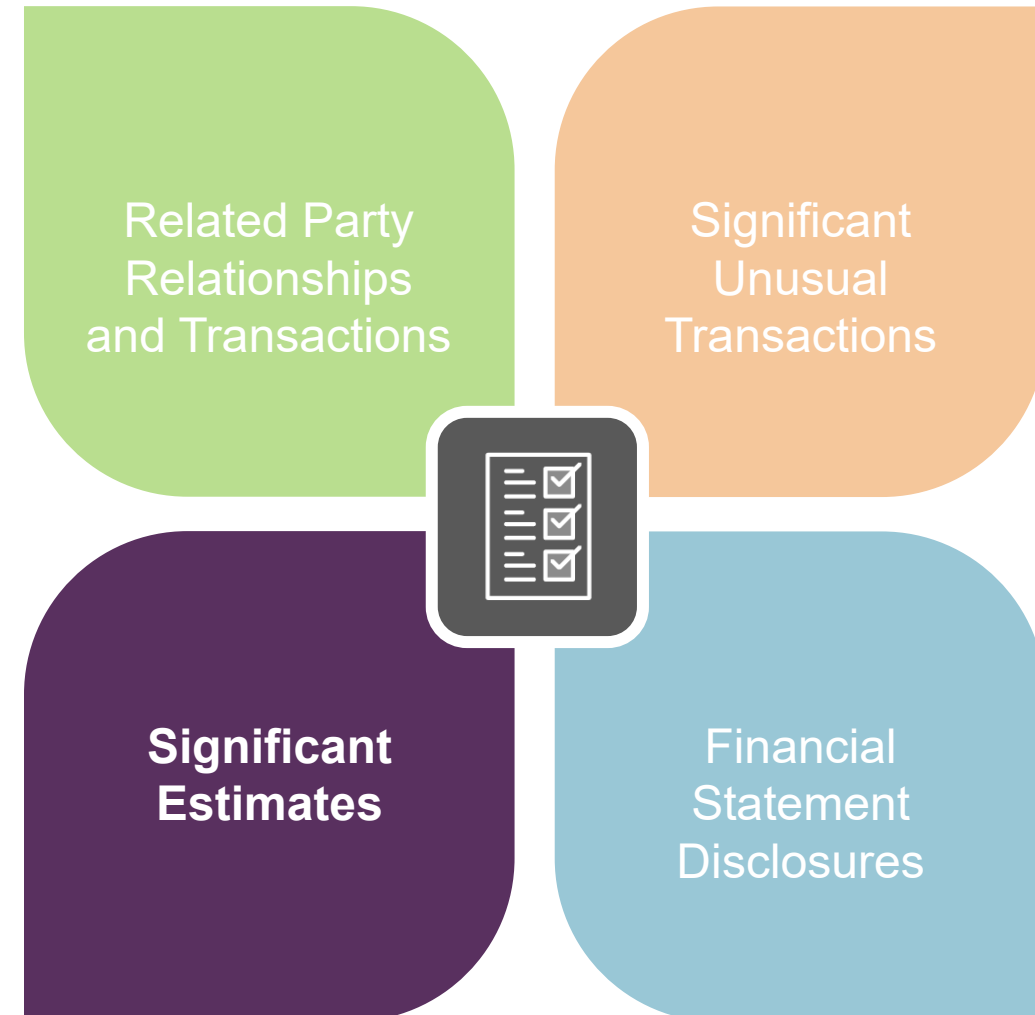


Qualitative Aspects of Accounting Practices

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

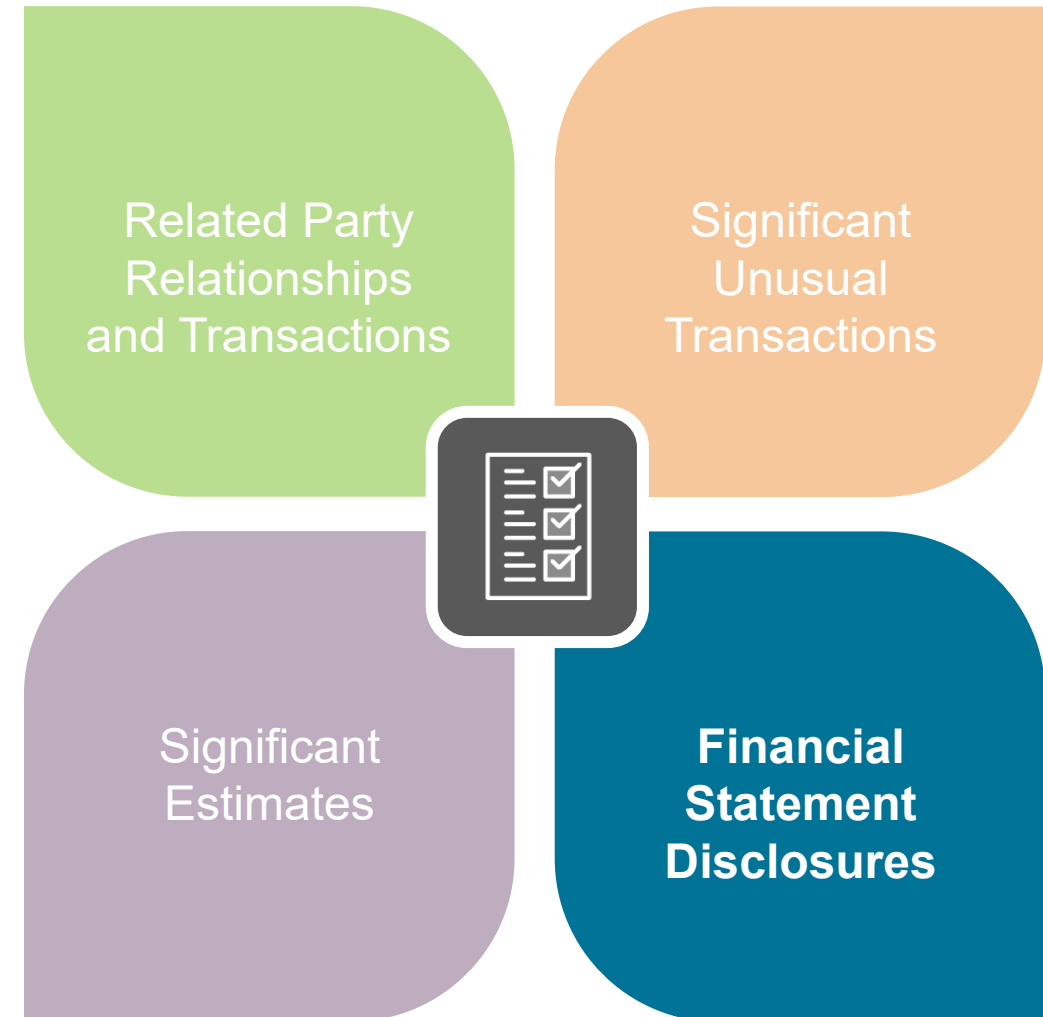
- Management's estimate of the fair value of investments is based on quoted prices for identical assets or observable or unobservable inputs.
- Actuarial assumptions, including the investment rate of return on plan assets and demographic factors used in determining contribution rates and the total pension liability, are based on an experience study of investment returns and recommendations of the Plan's investment consultant and actuary.

We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the financial statements taken as a whole.



Qualitative Aspects of Accounting Practices

The financial statement disclosures are neutral, consistent, and clear.



Independence Considerations

Nonattest Services

- ▶ Assistance with the preparation of the Plan's financial statements.
- ▶ For all nonattest services we perform, you are responsible for designating a competent employee to oversee the services, make any management decisions, perform any management functions related to the services, evaluate the adequacy of the services, and accept overall responsibility for the results of the services.

Independence Conclusion

- ▶ We are not aware of any other circumstances or relationships that create threats to auditor independence.
- ▶ We are independent of the Plan and have met our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.



Other Required Communications

Difficulties Encountered

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

Includes disagreements on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Auditor Consultations

We noted no matters that are difficult or contentious for which the auditor consulted outside the engagement team.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 27, 2023.



Other Required Communications

Management Consultations

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations.

To our knowledge, there were no such consultations with other accountants.

Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year.

These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Fraud and Illegal Acts

As of the date of this presentation no fraud, illegal acts, or violations of laws and regulations noted.

Going Concern

No events or conditions noted that indicate substantial doubt about the Plan’s ability to continue as a going concern.



Other Matters

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



Upcoming Financial Reporting Changes

Currently no significant standards will be effective for the Plan in the upcoming year.

We will be in contact with management regarding potential changes in standards and how we may be able to assist in the implementation efforts.



Financial Highlights

Statements of Fiduciary Net Position

- Pending trades receivable and payable as well as cash and money market funds fluctuate annually with timing and changes in investment activity
- Prepaid expenses increased due to the prepayment for the October 2022 monthly benefits and DROP payments.
- Investments and overall net position declined due to effects of unfavorable market conditions
- Investment portfolio maintains consistent diversification and in accordance with investment policy
- Accounts payable are comprised of administrative and investment expenses which were not paid until after year-end

ASSETS

Cash

Receivables:

Interest and dividends

Pending trades receivables

Total Receivables

Prepaid expenses

Current and other assets

Investments:

Money market funds

U.S. government obligations

Corporate bonds

Mortgage-backed securities

Equity securities

Equity mutual funds

Equity common trust funds

Real estate common trust funds

Total Investments

Total Assets

LIABILITIES

Accounts payable

Pending trades payable

Prepaid employees contributions

Total Liabilities

Net Position Restricted for Pension Benefits

	2022	2021
Cash	\$ 403,534	\$ 1,367,611
Receivables:		
Interest and dividends	92,813	84,042
Pending trades receivables	1,156,807	61,329
Total Receivables	1,249,620	145,371
Prepaid expenses	963,129	8,513
Current and other assets	2,616,283	1,521,495
Investments:		
Money market funds	1,711,375	1,914,345
U.S. government obligations	7,039,728	6,755,838
Corporate bonds	3,078,061	3,493,546
Mortgage-backed securities	1,505,014	3,844,665
Equity securities	34,445,948	52,142,658
Equity mutual funds	82,658,138	103,022,526
Equity common trust funds	18,332,550	20,367,562
Real estate common trust funds	44,510,863	37,071,600
Total Investments	193,281,677	228,612,740
Total Assets	195,897,960	230,134,235
LIABILITIES		
Accounts payable	341,801	327,704
Pending trades payable	609,705	562,822
Prepaid employees contributions	-	70,426
Total Liabilities	951,506	960,952
Net Position Restricted for Pension Benefits	\$ 194,946,454	\$ 229,173,283



Financial Highlights

Statements of Changes in Fiduciary Net Position

- City contributions consistent with actuarially determined amounts
- Net investment return decreased due to unfavorable market conditions
- Benefit payments consistent as expected with only significant changes related to DROP payment during FY 2022
- Refunds of participant contributions increased due to more employment separations than the prior year

	2022	2021
Additions:		
Contributions:		
City of Boynton Beach	\$ 7,134,561	\$ 7,468,676
Employee	1,878,542	1,789,284
Total Contributions	9,013,103	9,257,960
Investment (Loss) Income:		
Net (depreciation) appreciation in fair value of investments (realized and unrealized)	(33,198,920)	35,346,104
Interest and dividends	4,139,296	3,585,936
Other (loss) income	(4,010)	37,668
	(29,063,634)	38,969,708
Less investment expenses	943,107	907,403
Net Investment (Loss) Income	(30,006,741)	38,062,305
Total Additions	(20,993,638)	47,320,265
Deductions:		
Participant benefit payments	12,666,641	11,689,646
Refunds of participant contributions	412,986	369,098
Administrative expenses	153,564	161,047
Total Deductions	13,233,191	12,219,791
Net (decrease) increase in net position restricted for pension benefits	(34,226,829)	35,100,474
Net position restricted for pension benefits, beginning of year	229,173,283	194,072,809
Net position restricted for pension benefits, end of year	\$ 194,946,454	\$ 229,173,283



Financial Highlights

Administrative and Investment Expenses

- Actuarial services decreased due to timing of services
- Legal services decreased due to prior year non-recurring matters
- Trustee expenses increased due to increased conference fees and travel expenses
- Investment expenses consistent as expected with no significant changes

Administrative Expenses:

Administrative services	
Actuarial services	
Legal services	
Accounting services	
Trustee expenses	
Fiduciary liability insurance	
Computer services	
Postage	
Annual membership fees	
Miscellaneous expenses	
Total Administrative Expenses	

Investment Expenses:

Investment management fees	
Custodial fees	
Performance monitoring fees	
Total Investment Expenses	

	2022	2021
\$	63,033	\$ 63,255
	26,420	31,586
	16,970	25,093
	16,950	16,775
	12,025	6,508
	9,095	9,229
	4,637	4,512
	3,684	3,076
	750	900
	-	113
\$	153,564	\$ 161,047
\$	764,083	\$ 732,501
	64,481	66,939
	114,543	107,963
\$	943,107	\$ 907,403



Financial Highlights

Net Pension Liability

<u>FY Ending September 30,</u>	<u>Total Pension Liability (a)</u>	<u>Plan Net Position (b)</u>	<u>Net Pension Liability (Asset) (b-a)</u>	<u>Plan Net Position as Percent of Total Pension Liability (b/a)</u>
2022	\$ 228,638,210	\$ 194,946,454	\$ 33,691,756	85.3%
2021	\$ 218,974,978	\$ 229,173,283	\$ (10,198,305)	104.7%
2020	\$ 212,763,512	\$ 194,072,809	\$ 18,690,703	91.2%
2019	\$ 204,112,598	\$ 184,018,384	\$ 20,094,214	90.2%
2018	\$ 195,105,878	\$ 179,720,765	\$ 15,385,113	92.1%
2017	\$ 185,696,911	\$ 165,934,113	\$ 19,762,798	89.4%
2016	\$ 172,914,954	\$ 149,625,375	\$ 23,289,579	86.5%
2015	\$ 170,595,985	\$ 132,863,087	\$ 37,732,898	77.9%
2014	\$ 156,821,621	\$ 130,472,348	\$ 26,349,273	83.2%



Questions?

Brian Liffick, CPA

Partner

P 321.430.7418

E bliffick@cbh.com

Justin Conley, CPA

Senior

P 321.430.7405

E jconley@cbh.com

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