

**CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES’
RETIREMENT SYSTEM**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED SEPTEMBER 30, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	4-7
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	8
Statement of Changes in Fiduciary Net Position	9
Notes to Financial Statements	10-20
SUPPLEMENTARY INFORMATION	
Schedule of Administrative Expenses	22
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Contributions from Employer and Other Contributors	24-25
Schedule of Investment Returns	26
Schedules of Changes in the Employer's Net Pension Liability and Related Ratios	27-28
COMPLIANCE REPORT	
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	30-31



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
City of Lake Worth Beach General Employees' Retirement System

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Lake Worth Beach General Employees' Retirement System, which comprise the statement of fiduciary net position as of September 30, 2022, 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 Beach General Employees' Retirement System, as of September 30, 2022, and the changes in 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 Beach General Employees' Retirement System 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 Beach General Employees' Retirement System'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.



INDEPENDENT AUDITOR'S REPORT (Continued)

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. 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 Beach General Employees' Retirement System'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 Beach General Employees' Retirement System'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 schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 24-28 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.

MIAMI-DADE
305.670.3370

9300 S. Dadeland Blvd. | Suite 600
Miami, Florida | 33156

BROWARD
954.485.5788

5 N. Commerce Pkwy | Suite 315
Weston, Florida | 33326

PALM BEACH
561.737.5568

951 Yamato Road. | Suite 210
Boca Raton, Florida | 33431



INDEPENDENT AUDITOR'S REPORT (Continued)

Required Supplementary Information (Continued)

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Beach General Employees' Retirement System's basic financial statements. The accompanying schedule of administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Beach General Employees' Retirement System's 2021 financial statements, and our report dated February 1, 2022, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, 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 February 7, 2023, on our consideration of the City of Lake Worth Beach General Employees' Retirement System'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 Beach General Employees' Retirement System'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 Beach General Employees' Retirement System's internal control over financial reporting and compliance.

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

Weston, Florida
February 7, 2023

MIAMI-DADE
305.670.3370

9300 S. Dadeland Blvd. | Suite 600
Miami, Florida | 33156

BROWARD
954.485.5788

5 N. Commerce Pkwy | Suite 315
Weston, Florida | 33326

PALM BEACH
561.737.5568

951 Yamato Road. | Suite 210
Boca Raton, Florida | 33431

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents Management's Discussion and Analysis (MD&A) of the City of Lake Worth Beach General Employees' Retirement System's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2022. Please read it in conjunction with the Plan's financial statements, which immediately follow.

Overview of the Financial Statements

The financial section of this annual report consists of five parts: MD&A, the basic financial statements, notes to the financial statements, supplementary information and required supplementary information.

The financial statements provide both long-term and short-term information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other and required supplementary information that further explains and supports the information in the financial statements.

The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the statement of changes in fiduciary net position. All assets and liabilities associated with the operation of the Plan are included in the statement of fiduciary net position.

The statement of fiduciary net position reports fiduciary net position and how it has changed. A net asset is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan.

Financial Highlights

The Plan's net results from operations for fiscal year 2022 reflected the following financial activities:

- Total fiduciary net position was \$68,728,004, which was 17% lower than the 2021 total fiduciary net position with the decrease due primarily to unfavorable market conditions.
- Total employer and employee contributions were \$5,654,132, which was 2% lower than the 2021 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Member contributions were 7.8% of compensation under the average final compensation formula and 5% under the cash balance formula. The decrease was primarily due to less employer contribution being actuarially calculated to properly fund the Plan.
- Total interest and dividend earnings were \$2,547,685, which was 16% greater than the 2021 earnings.
- Net investment loss was (\$11,266,551), which was 188% lower than the 2021 income with the decrease due primarily to unfavorable market conditions.
- Benefits paid directly to retirees were \$8,614,138, which was 3% greater than the benefits paid directly to retirees during 2021 with the increase due primarily to current year new retirees and COLA increases.

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

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 pension benefits.

The Plan continues to be evaluated for actuarial soundness by the actuary of the Plan. It should be noted that retirement system funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Fiduciary net position at September 30, 2022 was \$68,728,004, a 17% decrease from fiduciary net position at September 30, 2021.
- Total investments at September 30, 2022 were \$67,552,039, a 16% decrease from the investments at September 30, 2021.

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

	2022	2021	% Change
Cash	\$ 1,176,021	\$ 2,581,165	(54%)
Receivables	174,448	287,323	(39%)
Prepaid expense	12,289	2,597	373%
Investments, at fair value	67,552,039	80,299,455	(16%)
Total assets	68,914,797	83,170,540	(17%)
Accounts payable	66,947	72,806	(8%)
Advanced contributions from employer	119,846	-	(100%)
Net position restricted for pensions	\$ 68,728,004	\$ 83,097,734	(17%)

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.

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES’ RETIREMENT SYSTEM

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position (Continued)

- Revenues (traditionally additions to the fiduciary net position) for the Plan actually resulted in a deduction to the fiduciary net position of (\$5,610,203), which was made up of total contributions of \$5,654,132 less net investment loss of (\$11,266,551), and other income of \$2,216.
- Expenses (deductions from the fiduciary net position) decreased from \$9,053,752 during 2021 to \$8,759,527 in 2022.

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

	2022	2021	% Change
Total contributions	\$ 5,654,132	\$ 5,781,161	(2%)
Net investment (loss) income	(11,266,551)	12,818,261	(188%)
Other income	2,216	4,464	(50%)
Total additions	(5,610,203)	18,603,886	(130%)
Total deductions	8,759,527	9,053,752	(3%)
Net change	(14,369,730)	9,550,134	(250%)
Net position restricted for pensions – beginning	83,097,734	73,547,600	13%
Net position restricted for pensions – ending	\$ 68,728,004	\$ 83,097,733	(17%)

Asset Allocation

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2022:

Type of Investment	Investment Policy	Actual Allocation
Domestic equities	40%-65%	51.07%
International equities	5%-20%	12.55%
Fixed income	15%-25%	14.60%
Global Tactical Assets	0%-15%	0.00%
Real estate	0%-15%	19.84%
Cash and cash equivalents	Minimal	1.94%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

The Plan’s 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.

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Investment Activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making Plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last adopted on November 5, 2019.

The Board and its investment consultant review portfolio performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style, and collectively by investment type and for the aggregate portfolio.

Financial Analysis Summary

The investment activities for the fiscal year ended September 30, 2022 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 Employees' Retirement System
4360 Northlake Blvd. Suite 206
Palm Beach Gardens, FL 33410

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
CASH	\$ 1,176,021	\$ 2,581,165
RECEIVABLES:		
Accrued investment income	107,100	122,802
Accounts receivable - sale of securities	36,250	2,672
Employer contributions	-	161,849
Employee contributions	<u>31,098</u>	<u>-</u>
TOTAL RECEIVABLES	<u>174,448</u>	<u>287,323</u>
PREPAID EXPENSE	<u>12,289</u>	<u>2,597</u>
INVESTMENTS, AT FAIR VALUE:		
Equity securities	42,972,624	55,816,465
Real estate funds	13,398,997	10,989,188
Corporate bonds	4,866,520	5,885,947
Government securities	4,997,037	6,094,938
Money market funds	<u>1,316,861</u>	<u>1,512,917</u>
TOTAL INVESTMENTS, AT FAIR VALUE	<u>67,552,039</u>	<u>80,299,455</u>
TOTAL ASSETS	<u>68,914,797</u>	<u>83,170,540</u>
LIABILITIES		
ACCOUNTS PAYABLE	<u>66,947</u>	<u>72,806</u>
DEFERRED INFLOWS		
ADVANCED CONTRIBUTIONS FROM EMPLOYER	<u>119,846</u>	<u>-</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR DEFINED BENEFITS	66,694,466	81,441,859
NET POSITION RESTRICTED FOR DROP BENEFITS	<u>2,033,538</u>	<u>1,655,875</u>
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 68,728,004</u>	<u>\$ 83,097,734</u>

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

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)

	<u>2022</u>	<u>2021</u>
ADDITIONS:		
Contributions:		
Employer	\$ 4,422,607	\$ 4,601,944
Employee	<u>1,231,525</u>	<u>1,179,217</u>
Total contributions	<u>5,654,132</u>	<u>5,781,161</u>
Investment (loss) income:		
Net (depreciation) appreciation in fair value of investments	(13,335,472)	10,989,645
Interest and dividend income	<u>2,547,685</u>	<u>2,188,758</u>
Total investment (loss) income	(10,787,787)	13,178,403
Less: investment expenses	<u>478,764</u>	<u>360,142</u>
Net investment (loss) income	<u>(11,266,551)</u>	<u>12,818,261</u>
Other income	<u>2,216</u>	<u>4,464</u>
TOTAL ADDITIONS	<u>(5,610,203)</u>	<u>18,603,886</u>
DEDUCTIONS:		
Benefit payments	8,614,138	8,341,537
DROP distributions	1,662	587,961
Administrative expenses	<u>143,727</u>	<u>124,254</u>
TOTAL DEDUCTIONS	<u>8,759,527</u>	<u>9,053,752</u>
NET CHANGE IN NET POSITION RESTRICTED FOR PENSIONS	(14,369,730)	9,550,134
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>83,097,734</u>	<u>73,547,600</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u><u>\$ 68,728,004</u></u>	<u><u>\$ 83,097,734</u></u>

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

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

Investments are reported at fair value (see Note 3). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (see Note 5 for discussion of fair value measurements).

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net (depreciation) appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Basis of Accounting and Use of Estimates

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

Concentration of Credit Risk

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

The Plan maintains its cash deposits at a financial institution which, from time to time, may exceed federally insured limits. The exposure of the Plan from these transactions is solely dependent upon the daily account balance and the financial strength of the respective institution. The Plan manages this risk by maintaining its deposit accounts at a high-quality financial institution. At September 30, 2022, the Plan had approximately \$926,000 of deposits in excess of federally insured limits.

The Plan's investments consist of common stocks, government securities, corporate bonds, real estate funds, mutual funds and money market funds, which inherit in the fair market value determination, include 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 the financial statements to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the year ended September 30, 2021, from which the information was derived.

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN

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

General

The Plan is a single-employer defined benefit plan covering all eligible employees. The Plan was established by the City effective October 1, 1996 under the Code of Ordinance for the City, Chapter 10, Article II. The Plan was amended October 1, 2010 under Ordinance No 2010-19.

The Plan is administered by a board of five trustees comprised of the mayor of the City, the City's finance director, one member appointed by the City Commission who must be a resident of the City, and two persons elected by the members.

Plan Membership

At September 30, 2022, Plan membership consisted of the following:

Inactive Plan members or beneficiaries	
currently receiving benefits	294
Fully vested, partially vested and non-vested	
active employees covered by the Plan	<u>363</u>
Total	<u><u>657</u></u>

The Plan is also governed by certain provision of Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code.

Eligibility

All regular full-time employees other than police officers or firefighters participate in the Plan.

Benefits

The Plan provides retirement, death and disability benefits. The benefit provisions are established and may be amended under the authority of City Ordinance.

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

➤ *Normal Retirement*

Normal retirement for participants retiring before October 1, 2015 is 20 vesting credits or vesting credits plus years of age totaling 75 or more, provided the participant has at least 10 vesting credits. Normal retirement age for participants retiring after October 1, 2015 is 55 years of age and 30 vesting credits or 65 years of age and 10 vesting credits.

The Plan provides a normal retirement benefit equal to 3% of average final compensation for each year of credited service worked through September 30, 2011. The normal retirement benefit for credits earned on or after October 1, 2010 will be 2% of average final compensation.

The monthly benefits are increased annually by \$2.50 for each full year from the members' date of retirement. Participants retiring on or after October 1, 2010 will not be eligible for the annual adjustment.

➤ *Death Benefits*

The death benefit for a participant that dies due to illness or injury incurred in the line of duty, is a return of all the member's contributions to the member's designated beneficiary and a monthly pension is payable as follows:

- 50% of final compensation is paid to the spouse.
- 25% of final compensation is distributed among the unmarried children. If the spouse dies, 25% is paid to each child with an overall maximum of 50% for all children.

If there is no spouse or eligible children, 16 2/3% of final compensation is payable to each dependent parent, if any.

The death benefit for a participant that dies while employed by the City but not due to illness or injury incurred in the line of duty and who has at least 10 years of vesting credits, is a monthly pension to the surviving spouse in the amount of the normal retirement benefit accrued as of the date of death.

The death benefit for a participant that dies while employed by the City but not due to illness or injury incurred in the line of duty who has less than 10 years of vesting credits is a return of the accumulated contributions to the designated beneficiary.

The monthly benefits are increased annually by \$2.50 for each full year from the member's date of retirement. Participants retiring on or after October 1, 2010 will not be eligible for the annual adjustment.

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

➤ *Disability Benefit*

The disability benefit for a service-incurred disability is the greater of retirement benefit accrued to the date of disability or pension benefit calculated as though the member had 20 years of credited service on the date of disability.

The disability benefits for a non-service incurred disability, for a member at least 10 years of credit service, are the retirement benefit accrued to the date of disability.

The monthly benefits are increased annually by \$2.50 for each full year from the member's date of retirement. Participants retiring on or after October 1, 2010 will not be eligible for the annual adjustment.

➤ *Deferred Retirement Option Plan*

Members who have attained normal retirement age, as described above, are eligible for the deferred retirement option plan (DROP).

Upon entering the DROP, the member's accrued benefit is frozen. An account is established for each participant in the DROP, which is credited with the member's normal retirement benefit plus or minus investment earnings or losses. Investment earnings or losses are credited or debited to the participant's account at either the same rate realized as the Plan or, if so elected in advance, at a fixed rate of interest established by the Plan administrator.

Funding

Participants accruing benefits under the Average Final Compensation formula are required to contribute 7.8% of pretax earnings. Participants accruing benefits under the Cash Balance formula are required to contribute 5.0% of pretax earnings. The City pays as a pickup contribution pursuant to Internal Revenue Code (IRC) Section 414(h)(2).

Pursuant to Florida law, the City is ultimately responsible for the actuarially soundness of the Plan. Therefore, each year, the City must contribute an amount determined by the Board in conjunction with the Plan's actuary to be sufficient, along with the employee's contribution, to fund the defined benefits under the Plan.

Rate of Return

For the year ended September 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (13.87)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES’ RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

(Continued)

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 long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension Plan. The investment policy statement was last amended on November 5, 2019.

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equities	40%-65%
International equities	5%-20%
Fixed income	15%-25%
Real estate	0%-15%
Global Tactical Assets	0%-15%
Cash and cash equivalents	Minimal

During the year ended September 30, 2022 the Plan’s investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by (\$13,335,472) (reported as net depreciation in fair value of investments in the accompanying statements of changes in fiduciary net position) as follows.

Common stock	\$ (5,000,907)
Mutual Funds	(8,625,609)
Real estate funds	2,322,120
Government securities	(646,569)
Corporate bonds	<u>(1,384,507)</u>
Total	<u><u>\$(13,335,472)</u></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 set a parameter on the duration of its fixed income securities. 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	\$ 4,866,520	\$ 178,483	\$ 1,725,671	\$ 1,323,412	\$ 1,638,954
U.S. agencies	3,821,146	93,796	5,707	84,064	3,637,579
U.S. treasuries	<u>1,175,891</u>	<u>101,107</u>	<u>9,563</u>	<u>313,029</u>	<u>752,192</u>
Totals	<u><u>\$ 9,863,557</u></u>	<u><u>\$ 373,386</u></u>	<u><u>\$ 1,740,941</u></u>	<u><u>\$ 1,720,505</u></u>	<u><u>\$ 6,028,725</u></u>

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES’ RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022
(Continued)

NOTE 3. INVESTMENTS (Continued)

The Plan limits its credit risk by limiting its investments in fixed income securities to U.S. Government and agency securities or corporate bonds which meet or exceed a credit rating of “BBB” or higher. The Plan’s fixed income securities were rated as follows:

<u>Rating</u>	<u>Fair Value</u>
Aaa	\$ 1,470,252
Aa2	199,915
Aa3	89,619
A1	694,524
A2	1,692,969
A3	1,282,077
Baa1	506,325
Baa2	248,650
Baa3	40,714
Unrated	<u>3,638,512</u>
Total	<u>\$ 9,863,557</u>

“Concentration of credit 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. At September 30, 2022, investment in the following mutual funds represented more than 5% of the Plan’s net position: MFS Growth Fund (5.8%), Euro Pacific Growth Fund (5.5%) and Dodge & Cox International Stock Fund (6.3%). At September 30, 2022, investment in the following real estate fund represented more than 5% of the Plan’s net position: American Realty Advisors Core Property Fund (11.3%) and US Realty Fund (8.2%).

“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. The Plan’s exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan participates in international equity funds but does not own any individual foreign securities.

The investment policy limits the foreign investments to no more than 20% of the Plan’s investment balance. As of September 30, 2022, foreign investments were 12.55% of total investments.

NOTE 4. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks.

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

(Continued)

NOTE 4. RISKS AND UNCERTAINTIES (Continued)

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 held in trust for pension benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE 5. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan categorizes its fair value measurements 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 as follows:

Level 1- Inputs to the valuation methodology are based upon quoted prices for identical assets in active markets.

Level 2- Inputs to the valuation methodology are based upon observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3- Inputs to the valuation methodology are based upon unobservable inputs.

Following is a description of the valuation methodologies used for asset measured at fair value.

Common stock: 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 funds: 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.

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022
(Continued)

NOTE 5. FAIR VALUE MEASUREMENTS (Continued)

Real estate funds: Valued at the net asset value of shares held by the Plan. The Plan invests in private market real estate investments for which no liquid public market exists.

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2022:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$ 21,867,070	\$ 21,867,070	\$ -	\$ -
Mutual funds	21,105,554	21,105,554	-	-
Total equity securities	<u>42,972,624</u>	<u>42,972,624</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. treasury securities	1,175,891	1,175,891	-	-
U.S. agency securities	3,821,146	-	3,821,146	-
Corporate bonds	4,866,520	-	4,866,520	-
Total debt securities	<u>9,863,557</u>	<u>1,175,891</u>	<u>8,687,666</u>	<u>-</u>
Total investments by fair value level	<u>52,836,181</u>	<u>\$ 44,148,515</u>	<u>\$ 8,687,666</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV) ^(a)				
Real estate funds	<u>13,398,997</u>			
Total investments measured at the NAV	<u>13,398,997</u>			
Money market funds (exempt)	<u>1,316,861</u>			
Total investments	<u>\$ 67,552,039</u>			

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

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

(Continued)

NOTE 5. FAIR VALUE MEASUREMENTS (Continued)

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

Investments Measured at the NAV

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate fund ⁽¹⁾	\$ 7,741,228	\$ -	Quarterly	10 Days
Real estate fund ⁽²⁾	<u>5,657,769</u>	<u>-</u>	Quarterly	10 Days
Real estate investments measured at the NAV	<u>\$ 13,398,997</u>	<u>\$ -</u>		

(1) Real estate fund: The fund is an open-end, commingled real-estate fund diversified with leased real estate properties in the multifamily, industrial, office, retail, and hotel sector. The investment is valued at NAV and redemption requests must be received by the fund 10 days prior to quarter-end.

(2) Real estate fund: The fund is an open-end, commingled real-estate fund with a diversified portfolio of income producing properties located throughout the United States. The investment is valued at NAV and redemption requests must be received by the fund 10 days prior to quarter-end.

NOTE 6. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the City at September 30, 2022 were as follows:

Total pension liability	\$109,787,870
Plan fiduciary net position	<u>68,728,004</u>
City's net pension liability	<u>\$ 41,059,866</u>

Plan fiduciary net position as a percentage of the total pension liability	62.60%
---	--------

The total pension liability was determined by an actuarial valuation as of October 1, 2021 and rolled forward to the measurement date of September 30, 2022 using the following most significant actuarial assumptions, 7.00% for the investment rate of return, 5.00% - 7.50% depending on completed years of service for projected salary increases, including inflation, and 2.5% for inflation.

Mortality rates were based on the PUB-2010 Headcount-Weighted Mortality Tables as used by the Florida Retirement System (FRS) in their July 1, 2020 actuarial valuation (with mortality improvements projected for nondisabled lives to all future years from 2010 using Scale MP-2018). Florida Statutes Chapter 112.63(1)(f) mandates the use of mortality tables from one of the two most recent published FRS actuarial valuation reports. These are the same rates as used for Non-Special Risk Class members of the Florida Retirement System (FRS), as mandated by Florida Statutes Chapter 112.63.

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

(Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term expected real rate of return</u>
Domestic equity	7.50%
International equity	8.50%
Domestic bonds	2.50%
International bonds	3.50%
Real estate	4.50%

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine this single 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 the total 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 of Plan investments (7.00%) was applied to all period of projected benefit payments to determine the total pension liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the City was calculated using the discount rate of 7.00%. It was also calculated using a discount rate that was 1-percentage-point lower (6.00%) and 1-percentage-point higher (8.00%) and the different computations were compared.

	1% decrease	Current discount rate	1% increase
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Net pension liability	\$ 51,985,464	\$ 41,059,866	\$ 31,830,592

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

(Continued)

NOTE 7. INCOME TAXES

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

On November 17, 2014, the Plan obtained its most recent determination letter in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with applicable requirements of IRC 401(a), and therefore, no provision for federal income taxes has been made.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 8. COVID-19 CONSIDERATIONS

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

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 7, 2023, the date the financial statements were available to be issued.

The remainder of this page intentionally left blank.

**CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES’
RETIREMENT SYSTEM**

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2022

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)

	<u>2022</u>	<u>2021</u>
ADMINISTRATIVE EXPENSES:		
Administrative fees	\$ 62,117	\$ 60,023
Legal	34,200	34,200
Actuarial	21,314	11,378
Accounting	8,564	8,073
Miscellaneous	6,439	2,637
Insurance	5,759	5,716
Meetings and conventions	<u>5,334</u>	<u>2,227</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 143,727</u>	<u>\$ 124,254</u>

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

**CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES'
RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2022

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined employer contribution	\$ 4,422,607	\$ 4,601,944 *	\$ 4,236,368	\$ 4,205,995	\$ 3,987,293
Actual employer contribution	<u>4,422,607</u>	<u>4,601,944</u>	<u>4,236,368</u>	<u>4,205,995</u>	<u>3,987,293</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 18,321,112</u>	<u>\$ 17,230,100</u>	<u>\$ 15,834,827</u>	<u>\$ 15,972,516</u>	<u>\$ 14,415,632</u>
Actual contributions as a percentage of covered-employee payroll	24.14%	26.71%	26.75%	26.33%	27.66%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Actuarially determined employer contribution	\$ 4,086,164	\$ 4,440,602	\$ 4,614,165	\$ 4,553,202	
Actual employer contribution	<u>4,086,164</u>	<u>4,440,602</u>	<u>4,614,165</u>	<u>4,553,202</u>	
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered-employee payroll	<u>\$ 14,138,657</u>	<u>\$ 10,882,231</u>	<u>\$ 10,831,667</u>	<u>\$ 11,902,397</u>	
Actual contributions as a percentage of covered-employee payroll	28.90%	40.81%	42.60%	38.25%	

* Reflects interest accrued through September 30, 2020 on the employer contributions receivable.

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

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

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED) (Continued)

Notes to Schedules of Contributions from Employer and Other Contributors

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	19 years (single equivalent amortization period)
Asset valuation method	5-year smoothed market
Inflation:	2.50%
Salary increases	5.0% - 7.5%, depending on years of service, including inflation
Investment rate of return	7.20%
Mortality	RP- 2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 50% blue collar adjustment and a 50% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates as used for Non-Special-Risk Class members of the Florida Retirement System (FRS), in the July 1, 2018 Actuarial Valuation. Florida Statutes Chapter 112.63 mandates the use of the same mortality assumptions used by FRS in either of the two most recently published FRS actuarial valuation reports.

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

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

<u>Year Ended</u> <u>September 30,</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2022	(13.87%)
2021	19.03%
2020	10.54%
2019	4.91%
2018	9.63%
2017	12.84%
2016	7.30%
2015	0.43%
2014	12.19%
2013	16.25%

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

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY:				
Service cost	\$ 1,468,610	\$ 1,646,777	\$ 1,490,960	\$ 1,344,924
Interest	7,500,895	7,670,545	7,681,848	7,757,646
Benefit changes	1,972,829	-	-	512,928
Difference between actual and expected experience	(2,011,254)	-	398,714	(807,331)
Assumption changes	986,888	(1,255,435)	1,016,341	993,106
Benefit payments	<u>(8,615,800)</u>	<u>(8,929,498)</u>	<u>(9,948,781)</u>	<u>(9,150,336)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,302,168	(867,611)	639,082	650,937
TOTAL PENSION LIABILITY - BEGINNING	<u>108,485,702</u>	<u>109,353,313</u>	<u>108,714,231</u>	<u>108,063,294</u>
TOTAL PENSION LIABILITY - ENDING	<u>109,787,870</u>	<u>108,485,702</u>	<u>109,353,313</u>	<u>108,714,231</u>
PLAN FIDUCIARY NET POSITION:				
Contributions - employer	4,422,607	4,601,944	4,236,368	4,205,995
Contributions- member	1,231,525	1,179,217	1,065,640	1,124,756
Net investment (loss) income	(11,264,335)	12,822,725	6,858,745	3,351,987
Benefit payments	(8,615,800)	(8,929,498)	(9,948,781)	(9,150,336)
Administrative expenses	<u>(143,727)</u>	<u>(124,254)</u>	<u>(147,456)</u>	<u>(140,447)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(14,369,730)	9,550,134	2,064,516	(608,045)
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>83,097,734</u>	<u>73,547,600</u>	<u>71,483,084</u>	<u>72,091,129</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>68,728,004</u>	<u>83,097,734</u>	<u>73,547,600</u>	<u>71,483,084</u>
NET PENSION LIABILITY - ENDING	<u>\$41,059,866</u>	<u>\$25,387,968</u>	<u>\$35,805,713</u>	<u>\$37,231,147</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	62.60%	76.60%	67.26%	65.75%
COVERED EMPLOYEE PAYROLL	\$18,321,112	\$17,230,100	\$15,834,827	\$15,972,516
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	224.11%	147.35%	226.12%	233.10%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

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

CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED) (Continued)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:					
Service cost	\$ 1,276,370	\$ 1,264,754	\$ 1,026,628	\$ 1,289,330	\$ 1,269,805
Interest	7,622,289	7,623,881	7,765,990	7,865,429	7,897,624
Benefit Changes	2,327,011	-	-	-	-
Difference between actual and expected experience	217,106	186,801	(2,300,009)	(967,020)	(289,809)
Assumption Changes	957,440	2,876,644	-	-	-
Benefit payments	<u>(9,382,152)</u>	<u>(8,029,499)</u>	<u>(9,099,308)</u>	<u>(9,316,942)</u>	<u>(9,308,177)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	3,018,064	3,922,581	(2,606,699)	(1,129,203)	(430,557)
TOTAL PENSION LIABILITY - BEGINNING	<u>105,045,230</u>	<u>101,122,649</u>	<u>103,729,348</u>	<u>104,858,551</u>	<u>105,289,108</u>
TOTAL PENSION LIABILITY - ENDING	<u>108,063,294</u>	<u>105,045,230</u>	<u>101,122,649</u>	<u>103,729,348</u>	<u>104,858,551</u>
PLAN FIDUCIARY NET POSITION:					
Contributions - employer	3,987,293	4,086,164	4,440,602	4,614,165	4,553,202
Contributions- member	1,124,419	1,102,815	848,814	844,870	928,387
Net investment income	6,162,213	7,822,485	4,307,428	508,074	7,515,916
Benefit payments	(9,382,152)	(8,029,499)	(9,099,308)	(9,316,942)	(9,308,177)
Administrative expenses	<u>(141,352)</u>	<u>(124,525)</u>	<u>(142,750)</u>	<u>(128,684)</u>	<u>(126,863)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,750,421	4,857,440	354,786	(3,478,517)	3,562,465
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>70,340,708</u>	<u>65,483,268</u>	<u>65,128,482</u>	<u>68,606,999</u>	<u>65,044,534</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>72,091,129</u>	<u>70,340,708</u>	<u>65,483,268</u>	<u>65,128,482</u>	<u>68,606,999</u>
NET PENSION LIABILITY - ENDING	<u>\$ 35,972,165</u>	<u>\$ 34,704,522</u>	<u>\$ 35,639,381</u>	<u>\$ 38,600,866</u>	<u>\$ 36,251,552</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	66.71%	66.96%	64.76%	62.79%	65.43%
COVERED EMPLOYEE PAYROLL	\$ 14,415,632	\$ 14,138,657	\$ 10,882,231	\$ 10,831,667	\$ 11,902,397
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	249.54%	245.46%	327.50%	356.37%	304.57%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

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

**CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES'
RETIREMENT SYSTEM**

COMPLIANCE REPORT

SEPTEMBER 30, 2022



**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
City of Lake Worth Beach General Employees’ Retirement System

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 City of Lake Worth Beach General Employees’ Retirement System, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Lake Worth Beach General Employees’ Retirement System’s basic financial statements, and have issued our report thereon dated February 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lake Worth Beach General Employees’ Retirement System’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 City of Lake Worth Beach General Employees’ Retirement System’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Worth Beach General Employees’ Retirement System’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.



**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 City of Lake Worth Beach General Employees’ Retirement System’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
February 7, 2023