

**CITY OF MARGATE EMPLOYEES
BENEFIT TRUST FUND**

FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2022 AND 2021

DRAFT

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BENEFIT TRUST FUND**

FINANCIAL STATEMENTS

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TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Net Assets Available for Benefits	3
Statements of Changes in Net Assets Available for Benefits	4
Notes to Financial Statements	5-9
SUPPLEMENTARY INFORMATION	
Schedules of Administrative Expenses	11



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
City of Margate Employees Benefit Trust Fund

Opinion

We have audited the accompanying financial statements of the City of Margate Employees Benefit Trust Fund, which comprise the statements of net assets available for benefits as of May 31, 2022 and 2021, and the related statements of changes in net assets available for benefits for the years 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 net assets available for benefits of the City of Margate Employees Benefit Trust Fund as of May 31, 2022 and 2021, and the changes in its net assets available for benefits for the years 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. 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 Margate Employees Benefit Trust Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Margate Employees Benefit Trust Fund's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current Plan instrument, including all Plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

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 will always detect a material misstatement when it exists.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

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, 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 Margate Employees Benefit Trust Fund'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 Margate Employees Benefit Trust Fund'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of administrative expenses are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards. In our opinion, the information in the accompanying schedules is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Weston, Florida

January xx 2023

CITY OF MARGATE EMPLOYEES BENEFIT TRUST FUND

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
RECEIVABLES:		
Employer contribution	\$ 17,908	\$ -
Accounts receivable - sale of investments	<u>5,949</u>	<u>3,153</u>
TOTAL RECEIVABLES	23,857	3,153
INVESTMENTS, AT FAIR VALUE	<u>5,615,733</u>	<u>6,443,428</u>
TOTAL ASSETS	<u>5,639,590</u>	<u>6,446,581</u>
LIABILITIES		
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	1,660	16,650
ACCOUNTS PAYABLE	<u>5,574</u>	<u>5,573</u>
TOTAL LIABILITIES	<u>7,234</u>	<u>22,223</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 5,632,356</u>	<u>\$ 6,424,358</u>

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

CITY OF MARGATE EMPLOYEES BENEFIT TRUST FUND

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ADDITIONS:		
Employer contributions	\$ 46,277	\$ 28,369
Investment (loss) income:		
Net (depreciation) appreciation in fair value of investments	(516,371)	1,855,589
Dividends and interest	102,643	86,028
Total investment (loss) income	(413,728)	1,941,617
Investment management fees	71,467	75,463
Net investment (loss) income	(485,195)	1,866,154
Other income	3,401	187
TOTAL ADDITIONS	<u>(435,517)</u>	<u>1,894,710</u>
DEDUCTIONS:		
Employee benefits	311,879	293,519
Administrative expenses	44,606	22,046
TOTAL DEDUCTIONS	<u>356,485</u>	<u>315,566</u>
NET CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS	(792,002)	1,579,144
NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING	<u>6,424,358</u>	<u>4,845,214</u>
NET ASSETS AVAILABLE FOR BENEFITS - ENDING	<u>\$ 5,632,356</u>	<u>\$ 6,424,358</u>

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

CITY OF MARGATE EMPLOYEES BENEFIT TRUST FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2022 AND 2021

NOTE 1. DESCRIPTION OF THE FUND

General

The City of Margate Employees Benefit Trust Fund (the Plan) was established in July 1, 2000 and reimburses health insurance benefits for its members pursuant to the terms of several collective bargaining agreements with the City of Margate, Florida (the City) and: the Professional Fire Fighters of Margate, Local 2497, International Association of Fire Fighters; the Federation of Public Employees, a Division of the National Federation of Public and Private Employees, AFL-CIO; the Fraternal Order of Police; and the Broward County Police Benevolent Association. The Plan also covers employees of the City, whether or not they are represented by a Local Union. The disbursements of the Plan are under the control of designated trustees.

Eligible Employees

Eligible employees include those persons who were employed full-time or part-time by the City on or after July 1, 2000, for whom contributions have been made to the Plan, and who have at least ten (10) years of service with the City.

Participation in the Plan ceased for all employees hired from 2010 and afterwards.

Benefits

The Plan will pay monthly the amount of \$50 plus \$3.40 per year of service for up to twenty-five (25) years of service, up to \$1,620 of the premium cost for health insurance including Medicare.

Survivor Benefits

At the time of the death of a member who has been receiving benefits under the Plan, a one-time lump sum distribution will be paid to the beneficiary named by the deceased member. If there is no named beneficiary at the time of death, or the named beneficiary is predeceased, then no survivor benefit will be paid.

The survivor benefit will be equal to the monthly amount multiplied by twelve (12).

Funding Policy

Effective July 1, 2017, the City's contribution shall be equal to the minimum required contribution determined from the most recent actuarial valuation and will no longer be based upon a percentage of City payroll.

CITY OF MARGATE EMPLOYEES BENEFIT TRUST FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2022 AND 2021
(Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Termination

Although there is no intent to do so, the trust agreement provides for termination of the Plan subject to the provisions of the agreement.

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared using the accrual method of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of American (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 that potentially expose the Plan to concentrations of credit risk, as defined by GAAP, consist primarily of investments, and receivables.

The Plan investments consist of common stocks, mutual funds, electronically traded funds, corporate bonds, government securities and money market funds which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual security.

Valuation of Investments

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 Plan's gains and losses on investments bought and sold as well as held during the year.

NOTE 3. INVESTMENTS, AT FAIR VALUE

Investments at May 31, 2022 and 2021 consisted of common stocks, mutual funds, electronically traded funds, corporate bonds, government securities and money market funds.

During the years ended May 31, 2022 and 2021, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) (depreciated) appreciated in value by (\$516,371) and \$1,855,589, respectively (reported as net (depreciation) appreciation in fair value of investments in the accompanying statements of changes in net assets available for benefits).

CITY OF MARGATE EMPLOYEES BENEFIT TRUST FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2022 AND 2021
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS

GAAP provides the framework for measuring fair value, expands disclosures about fair value measurements, and establishes a fair value hierarchy that prioritizes the inputs used in measuring fair value summarized as follows:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2- Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific contractual term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in methodologies used at May 31, 2022 and 2021.

Common stocks: Valued at the closing price reported on the New York Stock Exchange.

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 Fund are deemed to be actively traded.

Electronically traded funds: Valued at the closing price reported on the New York Stock Exchange.

U.S. government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

CITY OF MARGATE EMPLOYEES BENEFIT TRUST FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2022 AND 2021
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

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.

The following table presents the Plan's fair value hierarchy for investments measured at fair value as of May 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments measured in the fair value hierarchy:				
Common stocks	\$ 4,948,706	\$ -	\$ -	\$ 4,948,706
Corporate Bonds	-	46,255	-	46,255
Government securities	60,030	27,149	-	87,179
Mutual funds	127,429	-	-	127,429
Electronically traded funds	140,334	-	-	140,334
Money market funds	265,830	-	-	265,830
Total investments measured at fair value	<u>\$ 5,542,329</u>	<u>\$ 73,404</u>	<u>\$ -</u>	<u>\$ 5,615,733</u>

The following table presents the Plan's fair value hierarchy for investments measured at fair value as of May 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments measured in the fair value hierarchy:				
Common stocks	\$ 5,629,807	\$ -	\$ -	\$ 5,629,807
Corporate Bonds	-	51,042	-	51,042
Government securities	82,378	17,053	-	99,431
Mutual funds	144,942	-	-	144,942
Electronically traded funds	307,880	-	-	307,880
Money market funds	210,326	-	-	210,326
Total investments measured at fair value	<u>\$ 6,375,333</u>	<u>\$ 68,095</u>	<u>\$ -</u>	<u>\$ 6,443,428</u>

CITY OF MARGATE EMPLOYEES BENEFIT TRUST FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2022 AND 2021
(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 net assets available for benefits.

NOTE 6. TAX STATUS

The Plan is exempt from Federal income taxes under Internal Revenue Code (IRC) 501(c)(9) and, therefore, no provision for Federal income taxes has been made.

In addition, the Plan is required to operate in conformity with the IRC to maintain the tax-exempt status. The Trustees believe that the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is tax-exempt.

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 (or asset) if it has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan has taken no such positions. The Plan may be subject to routine examinations by taxing jurisdictions; however, there are currently no examinations for any tax periods in progress. The Board of Trustees believes the Plan is no longer subject to income tax examination for the years ending prior to May 31, 2019.

NOTE 7. 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 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Plan through **January xx 2023**, the date the financial statements were available to be issued.

**CITY OF MARGATE EMPLOYEES
BENEFIT TRUST FUND**

SUPPLEMENTARY INFORMATION

YEARS ENDED MAY 31, 2022 AND 2021

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**CITY OF MARGATE EMPLOYEES
BENEFIT TRUST FUND**

SCHEDULES OF ADMINISTRATIVE EXPENSES

YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ADMINISTRATIVE EXPENSES:		
Accounting	\$ 12,470	\$ 11,765
Actuary	20,000	-
Legal fees	7,702	6,140
Miscellaneous	-	3,688
Taxes	4,434	453
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 44,606</u>	<u>\$ 22,046</u>

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