

**TOWN OF PEMBROKE PARK, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

TABLE OF CONTENTS

Page

FINANCIAL SECTION

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Statement of Net Position.....	10
Statement of Activities.....	11
Balance Sheet – Governmental Fund.....	12
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position.....	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities.....	15
Statement of Net Position – Proprietary Funds.....	16
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	17
Statement of Cash Flows – Proprietary Funds.....	18
Statement of Changes in Fiduciary Net Position.....	20
Notes to the Financial Statements.....	21
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	54
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	55
Pension Plan for Town Commissioners – Schedule of changes in Net Pension Liability and Related Ratios.....	56
Pension Plan for Town Commissioners – Schedule of Contributions.....	57
Pension Plan for Town Commissioners – Annual Money-weighted Rate of Return.....	58
Schedule of Proportionate Share of Net Pension Liability – Retiree Health Insurance Subsidy Program.....	59
Schedule of Contributions – Florida Retirement System Pension Plan.....	60
Other Post-Employment Benefits Plan – Schedule of Changes in the Town's Total OPEB Liability and Related Ratios.....	61

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	62
Independent Accountant's Report on Compliance with the Requirements of Section 218.415, Florida Statutes.....	64
Management Letter Pursuant to the Rules of the Auditor General of the State of Florida.....	65

FINANCIAL SECTION



2521 Hollywood Boulevard
Hollywood, Florida 33020
Telephone: 954-927-5900
Fax: 954-927-5927

6100 NW 2nd Avenue
Miami, Florida 33127
Telephone: 305-628-1510
Fax: 305-628-1595

900 Osceola Drive, Suite 107C
West Palm Beach, Florida 33409
Telephone: 561-547-0545
Fax: 561-253-2747

Member: American Institute of Certified Public Accountants | Florida Institute of Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT

To the Honorable Mayor
and Members of the Town Commission
Town of Pembroke Park

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of the Town of Pembroke Park, Florida (“the Town”) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and fiduciary funds information of the Town, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2020, on our consideration of the Town'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 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 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 Town's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above the printed name and address.

Hollywood, Florida
October 7, 2020

Town of Pembroke Park, Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2019

Management's Discussion and Analysis ("MD&A") is presented to offer readers of the Town of Pembroke Park's (the "Town") financial statements a narrative presentation of the Town financial performance for the fiscal year ended September 30, 2019, in accordance with the Government Accounting Standard Board. This discussion and analysis will provide an overview of the Town's financial activities when read in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Pembroke Park exceeded its liabilities at the close of the most recent fiscal year by \$21,277,335 (net position). Unrestricted governmental activities is \$2,386,764 and unrestricted business-types activities \$10,599,488 totaling \$12,986,252.
- During the 2019 fiscal year, the net position increased by \$3,144,011, from \$18,133,324 to \$21,277,335. Governmental activities net position increased by \$ 2,042,434 (54.92 percent) and business type activities net position increased by \$1,101,577 (7.67percent).
- During the fiscal year 2019, General Fund revenues decreased by \$294,366, from \$11,366,248 to \$11,071,882. This decrease is primarily due to a decrease in utility services taxes, licenses and permits and charges services. The governmental fund received transfers in of \$623,681 the sewer utility and stormwater drainage funds of \$417,697 and \$205,984, respectively. General Fund expenditures also decreased by \$1,003,047, from \$11,201,550 to \$10,198,503. Decreases in salaries at the start of fiscal year 2019 and the resignation of the Town manager were the primary causes of that variance.
- During the current fiscal year, the General Fund reported revenues in excess of expenditures of \$873,379 compared to \$164,698 in the prior fiscal year. As mentioned above, the increase in revenues in excess of expenditures was due to the decrease in salaries expenses.
- Business-type activities generated a net operating income of \$1,534,510 in fiscal year 2019, compared to \$697,041 in 2018. During the fiscal year 2019, operating revenues decreased by \$206,799 from fiscal year 2018, totaling \$4,166,096 during 2019 as compared to \$4,372,895 during 2018, while the net operating increased by \$213,798.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Town of Pembroke Park, Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2019

Government-wide statements: The government-wide financial statements are designed to provide information about the activities of the Town as a whole, in a manner similar to a private sector business. Both long-term and short-term information regarding the Town's finances are presented.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town categorizes funds into two basic fund types: governmental funds and proprietary funds.

Governmental funds: These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

Proprietary funds: These funds are comprised of the enterprise funds which are the equivalent of business-type activities in the government-wide statements. These include the Sewer Utility Fund and the Stormwater Drainage Fund.

The fiduciary fund: The Town reports a pension trust for its defined benefit pension plan in the fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds statements can be found in the fund financial statements section of this report and

Town of Pembroke Park, Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2019

a more detailed description of the Town's pension trust fund may be found in the notes to financial statements.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's analysis of the financial statements begin below. The statement of net position and the statement of activities reports information about the Town's activities that will help answer questions about the financial position and results of operations of the Town. Information for both fiscal year ended 2018 and 2019 are presented for comparison purpose.

The schedule below summarizes the Town net position for the fiscal year ended 2019 and 2018.

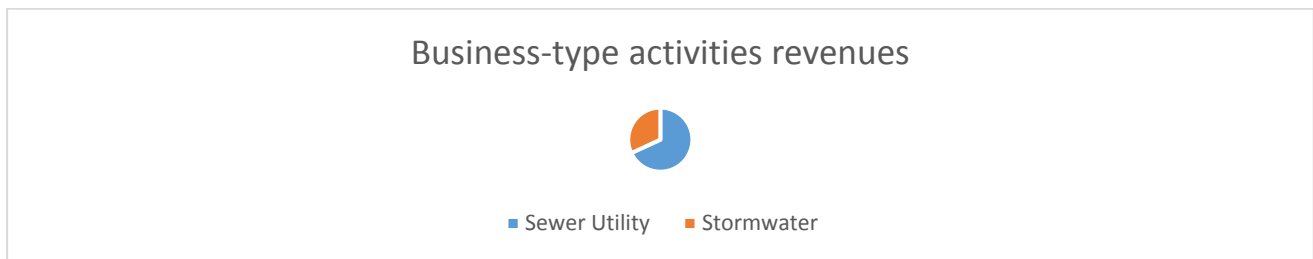
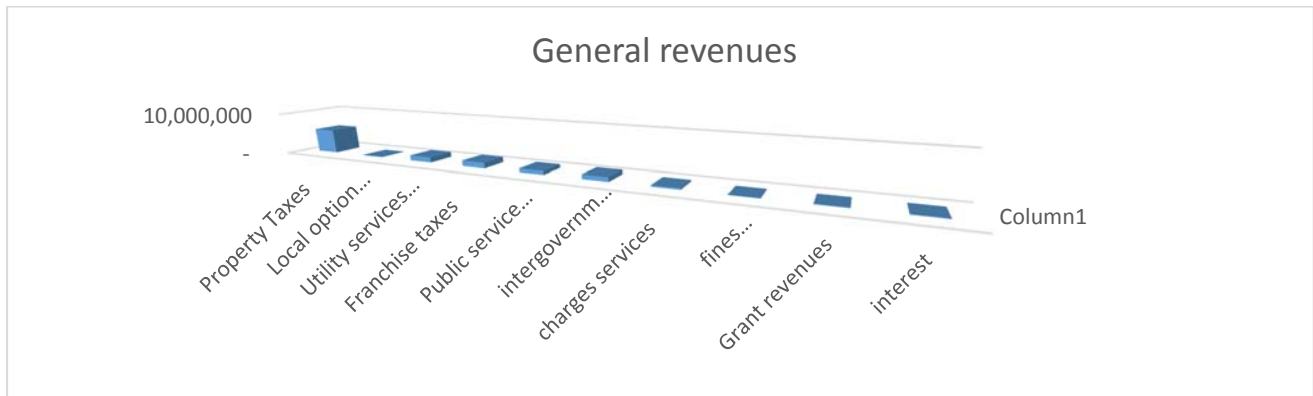
	NET POSITION					
	SEPTEMBER 30,					
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 5,518,962	\$ 4,297,249	\$ 12,091,489	\$ 10,308,693	\$ 17,610,451	\$ 14,605,942
Capital assets, net of depreciation	3,377,233	3,465,190	6,055,857	6,766,331	9,433,090	10,231,521
Total assets	<u>8,896,195</u>	<u>7,762,439</u>	<u>18,147,346</u>	<u>17,075,024</u>	<u>27,043,541</u>	<u>24,837,463</u>
Deferred outflows of resources	877,287	1,435,009	176,316	213,700	1,053,603	1,648,709
Current liabilities	946,101	1,017,809	147,069	170,701	1,093,170	1,188,510
Long-term liabilities (restated)	2,387,117	3,514,896	2,621,050	2,681,395	5,008,167	6,196,291
Total liabilities	<u>3,333,218</u>	<u>4,532,705</u>	<u>2,768,119</u>	<u>2,852,096</u>	<u>6,101,337</u>	<u>7,384,801</u>
Deferred inflows of resources	633,589	900,501	84,873	67,546	718,462	968,047
Net position						
Net investment in capital assets	3,377,233	3,465,190	3,938,936	4,642,331	7,316,169	8,107,521
Restricted	42,679	47,767	932,235	845,046	974,914	892,813
Unrestricted	<u>2,386,764</u>	<u>251,285</u>	<u>10,599,488</u>	<u>8,881,705</u>	<u>12,986,252</u>	<u>9,132,990</u>
Total net position	<u>\$ 5,806,676</u>	<u>\$ 3,764,242</u>	<u>\$ 15,470,659</u>	<u>\$ 14,369,082</u>	<u>\$ 21,277,335</u>	<u>18,133,324</u>

The Town's combined net position was \$21,277,335 as of September 30, 2019. Governmental activities net position totaled \$5,806,676 and business-type activities net position totaled \$15,470,659. This represent an increase of \$3,144,011 from fiscal year 2018.

Unrestricted net position is that portion of net position that can be used to finance daily operations without constraints established by debt covenants, enabling legislation, or other legal requirements. As of September 30, 2019, the Town's unrestricted net position increased by \$ 3,853,262 which resulted from a combination of the governmental activities unrestricted net position increase of \$2,135,479 and the business-type activities net position increase of \$1,717,783. The combined unrestricted net position amounted to \$12,986,252 as of September 30, 2019. A key component to the Town's growth in net position is the Town's effort to encourage business investments in the Town. The Town's open door policy with the private sector together with the Town's strict zoning regulations and a balanced land use provide for the Town's stable growth of industrial, commercial, residential and recreational development.

**Town of Pembroke Park, Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2019**

General discussion on revenues: Property tax revenues is the major revenue source in the General Fund and it accounts for 52% of the fund revenues and 58% of the government-wide general revenues in the fiscal year 2019. The millage rate established by the Town during the budget process determines how much property tax revenue is generated in the General Fund. Property tax revenues slightly increased by \$160,050 to \$5,709,767 compared to prior year revenues of \$5,549,717. The Town has kept its millage rate unchanged for the past years at 8.5000 mills.



The Town experienced a decrease in total general fund revenues of \$294,366 which was due mainly to a decrease in utility services taxes by \$121,714, Licenses and permits by \$219,811 and charges for services by \$91,219.

A decrease in miscellaneous revenue of \$601,105 has been noted. This decrease is due to the reclassification of revenues transferred from the business-type activities funds.

Intergovernmental revenue experienced an increase of \$389,954 which is mainly due to the FEMA receivable recorded during the year. An increase of \$102,005 has also been noted grants revenues.

Business type activities for the year resulted in an increase in the net position of \$1,101,578. Key elements of this change are:

- Sewer utility fund revenue exceeded total expenses by \$618,108. Stormwater drainage fund revenue exceeded total expenses by \$483,470.

General discussion on expenses: Expenses for the governmental and business type activities were \$9,653,129 and \$2,724,256, respectively. One of the Town's major expenses is to Broward County for police and fire rescue which accounts for \$6,050,086 or 63% of the total expenses for governmental activities.

Town of Pembroke Park, Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2019

The number of employees working for the Town has remained stable over the years. The town experienced a total decrease in salaries expenses of \$ 1,323,707. This was mainly due to a salary decrease for all employees at the beginning of the fiscal year and the resignation of the Town Manager. Program expenses for business type activities funds decreased by \$1,046,422. This decrease was due mainly to the decrease in employees' salaries combined with a decrease in contractual services.

The following table presents a condensed Statement of Activities:

CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30,

	Governmental activities		Business-type activities			Total
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,703,766	\$ 1,978,898	\$ 4,166,096	\$ 4,372,895	\$ 5,869,862	\$ 6,351,793
Operating grants and contributions	125,000	23,075	-	-	125,000	23,075
Capital grants and contributions	-	-	40,011	261,584	40,011	261,584
General revenues:						
Property taxes	5,709,767	5,549,717	-	-	5,709,767	5,549,717
Other taxes and fees	2,208,703	2,371,509	-	-	2,208,703	2,371,509
Intergovernmental revenue	1,025,307	635,353	-	-	1,025,307	635,353
Unrestricted investment earnings	125,487	32,739	243,408	42,680	368,895	75,419
Miscellaneous	173,852	774,957	-	-	173,852	774,957
Transfers	623,681	-	(623,681)	-	-	-
Total revenues	11,695,563	11,366,248	3,825,834	4,677,159	15,521,397	16,043,407
Expenses:						
Governmental activities:						
General government	1,959,316	3,305,014	-	-	1,959,316	3,305,014
Public safety	6,055,296	5,901,793	-	-	6,055,296	5,901,793
Building	436,730	513,576	-	-	436,730	513,576
Physical environment	307,184	367,917	-	-	307,184	367,917
Public works	377,999	572,979	-	-	377,999	572,979
Culture and recreation	516,604	759,503	-	-	516,604	759,503
Business - type activities:						
Sewer utilities	-	-	1,931,740	2,745,118	1,931,740	2,745,118
Stormwater drainage district	-	-	792,517	1,025,561	792,517	1,025,561
Total expenses	9,653,129	11,420,782	2,724,257	3,770,679	12,377,386	15,191,461
Change in net position (before 2018 restatement)	2,042,434	(54,534)	1,101,577	906,480	3,144,011	851,946
Net position - beginning (restated)	3,764,242	3,818,776	14,369,082	13,462,602	18,133,324	17,281,378
Net position - ending	\$ 5,806,676	\$3,764,242	\$15,470,659	\$14,369,082	\$21,277,335	\$18,133,324

**Town of Pembroke Park, Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2019**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The purpose of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources relative to the Town's financing requirements. Unassigned fund balance serve as the most useful measure of a Town's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year ended September 30, 2019, unassigned fund balance of the General Fund was \$ 4,124,494 up by \$1,459,139 compared with fiscal year 2018. This increase is primarily due to the decrease in expenditures combined with a slight increase in property tax revenues. The intergovernmental revenue increase of \$389,954 is the result of cost incurred due to hurricane Irma recorded during this fiscal year. The majority of the total cost are subsequently reimbursed by Federal Emergency Management Agency and the State of Florida.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the proprietary funds amounted to \$15,470,660 at the end of the fiscal year ended September 30, 2019, an increase of \$1,101,578 over the prior fiscal year. Other factors concerning the finances of these two funds are covered in more detail in the discussion of the Town's business-type activities in the Government-wide Financial Analysis section.

General Fund Budgetary Highlights

The Commission approves purchase orders and nonrecurring expenditures over \$1,500 on a monthly basis. The Commission uses this procedure to closely monitor expenditures and commitments made by the Town.

Actual General Fund revenues for fiscal year 2019 were above final budget by \$459,324. Actual expenditures for the year were \$1,037,737 less than the final budget. The major expenditure variances between the budget and actual in the general fund are reflected in general government, which is due to an overall decrease in spending and salaries expenses.

The Town collected \$7,053, \$39,351 and \$10,000 more than the final budget for Ad Valorem Taxes, Garbage and Towing Franchise Fee, respectively. Communication Tax and Water Utility collections were less than final budget by \$20,962 and \$48,812, respectively.

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of September 2019 totaled \$9,433,090 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water distribution and sewer collection storm and drainage systems, park improvements, equipment and street improvements. Please refer to the schedules in the Notes to the Financial Statements that summarizes capital asset activity over the past fiscal year.

**Town of Pembroke Park, Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2019**

The Town continues its capital outlay efforts by upgrading the water and wastewater lines. The amount spent on these infrastructure improvements increased by \$483,747 to \$538,326 compared to \$54,579 for the year 2018.

Debt Administration

At the end of the fiscal year 2019 the Town has debt totaling \$ 5,008,177. This amount includes compensated absences, net pension liability, OPEB obligation, Notes Payable, and Revenue Bond Payable. For more detailed information, please refer to the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's primary sources of revenue are property taxes, utility service taxes and charges for services. State shared revenues, which include telecommunication taxes, account for another large source of revenue.

Compared to prior year there has been growth in the local economy. A main factor contributing to this has been the increase in property values at the national level and a lower rate of unemployment. While the increase in taxable value has been modest for our Town, it has followed several years of increases, during which time it has allowed the Town to build a fund balance.

The Town has a very diverse tax base including substantial amounts of commercial and industrial property which should allow for a smaller impact to ad valorem revenues in the future years should the economy experience a downturn. For more information regarding the Town's property taxes please refer to the notes to the financial statements.

For the following fiscal years, the Town might have a decrease of its revenues considering the economic impact of the pandemic (Covid-19) and the potential increase of unemployment during the fiscal year 2020 as a result.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Town's finances for all readers with an interest in its finances. The report has been prepared by the finance department of the Town of Pembroke Park, Florida with the assistance of the Town's external auditors. Any questions or comments about this report are welcomed and may be directed to the Town's Finance Director at (954) 966-4600, extension 232, fax at (954) 961-4760, or by mail to the Town of Pembroke Park, Finance Director, 3150 SW 52nd Avenue, Pembroke Park, Florida 33023.

Basic Financial Statements

Town of Pembroke Park, Florida
Statement of Net Position
September 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, cash equivalents and equity in pooled cash	\$ 366,190	\$ 5,223,308	\$ 5,589,498
Investments	4,241,919	5,017,465	9,259,383
Accounts receivable, net	376,929	902,295	1,279,224
Intergovernmental receivables	427,071	-	427,071
Prepays	36,176	8,573	44,750
Restricted cash	42,679	939,848	982,527
Net pension asset – Commissioner pension	27,998	-	27,998
Capital assets:			
Nondepreciable	2,167,660	34,347	2,202,007
Depreciable, net	1,209,573	6,021,510	7,231,083
Total assets	<u>8,896,195</u>	<u>18,147,346</u>	<u>27,043,541</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	877,287	176,316	1,053,603
LIABILITIES			
Accounts payable	642,778	127,344	770,122
Accrued liabilities	56,524	12,112	68,636
Accrued interest payable	-	7,613	7,613
Unearned revenues	189,779	-	189,779
Customer deposits	57,019	-	57,019
Noncurrent liabilities:			
Due in less than one year:			
Note payable	-	36,000	36,000
Compensated absences	341,515	-	341,515
Due in more than one year:			
Note payable	-	2,052,000	2,052,000
Compensated absences	101,070	28,922	129,992
Net OPEB liability	76,686	19,882	96,568
Net pension liability	1,867,846	484,256	2,352,102
Total liabilities	<u>3,333,218</u>	<u>2,768,129</u>	<u>6,101,347</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	633,589	84,873	718,462
NET POSITION			
Net investment in capital assets	3,377,233	3,938,936	7,316,169
Restricted for:			
Law enforcement	42,679	-	42,679
Debt service	-	142,376	142,376
Capital projects	-	789,859	789,859
Unrestricted	2,386,764	10,599,488	12,986,252
Total net position	<u>\$ 5,806,676</u>	<u>\$ 15,470,659</u>	<u>\$ 21,277,335</u>

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

Town of Pembroke Park, Florida
Statement of Activities
For the Year Ended September 30, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government							
General government	\$ 1,959,316	\$ 447,666	\$ -	\$ -	\$ (1,511,650)	\$ -	\$ (1,511,650)
Public safety	6,055,296	465,671	-	-	(5,589,625)	-	(5,589,625)
Building	436,730	787,179	-	-	350,449	-	350,449
Physical environment	307,184	-	125,000	-	(182,184)	-	(182,184)
Public works	377,999	-	-	-	(377,999)	-	(377,999)
Culture and recreation	516,604	3,250	-	-	(513,354)	-	(513,354)
Total governmental activities	9,653,129	1,703,766	125,000	-	(7,824,363)	-	(7,824,363)
Business-type activities:							
Sewer utilities	1,931,740	2,793,759	-	40,011	-	902,030	902,030
Stormwater drainage district	792,517	1,372,377	-	-	-	579,820	579,820
Total business-type activities	2,724,257	4,166,096	-	40,011	-	1,481,850	1,481,850
Total	12,377,386	5,869,862	125,000	40,011	(7,824,363)	1,481,850	(6,342,513)
General revenues:							
Property taxes					5,709,767	-	5,709,767
Local option gas tax					106,441	-	106,441
Utility service taxes					1,235,357	-	1,235,357
Franchise taxes					866,905	-	866,905
Intergovernmental revenue					1,025,307	-	1,025,307
Unrestricted investment earnings					125,487	243,408	368,895
Miscellaneous					173,852	-	173,852
Transfers					623,681	(623,681)	-
Total general revenues					9,866,797	(380,273)	9,486,524
Change in net position					2,042,434	1,101,577	3,144,011
Net position - beginning					3,764,242	14,369,082	18,133,324
Net position - ending					\$ 5,806,676	\$ 15,470,659	\$ 21,277,335

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

**Town of Pembroke Park, Florida
Balance Sheet – Governmental Fund
September 30, 2019**

	Major Fund	Total
	General Fund	Governmental
	General Fund	Funds
ASSETS		
Cash – unrestricted and restricted	\$ 408,869	\$ 408,869
Equity in pooled investments and pooled cash	4,241,919	4,241,919
Accounts receivable, net	376,929	376,929
Intergovernmental receivable	427,071	427,071
Prepays	36,176	36,176
Total assets	<u>\$ 5,490,964</u>	<u>\$ 5,490,964</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 642,778	\$ 642,778
Accrued liabilities	56,524	56,524
Accrued compensated absences	341,515	341,515
Unearned revenue	189,779	189,779
Customer deposits	57,019	57,019
Total liabilities	<u>1,287,615</u>	<u>1,287,615</u>
Fund balance		
Nonspendable		
Prepaid items	36,176	36,176
Restricted:		
Law enforcement	42,679	42,679
Unassigned	4,124,494	4,124,494
Total fund balance	<u>4,203,349</u>	<u>4,203,349</u>
Total liabilities and fund balances	<u>\$ 5,490,964</u>	<u>\$ 5,490,964</u>

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

Town of Pembroke Park, Florida
Reconciliation of the Balance Sheet of the Governmental Fund to
the Statement of Net Position
September 30, 2019

Fund balance - governmental funds		\$ 4,203,349
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.		
Cost of capital assets	\$ 7,809,279	
Accumulated depreciation	<u>(4,432,046)</u>	3,377,233
Deferred outflows of resources related to pensions are recorded in the statement of net position.		877,287
Deferred inflows of resources related to pensions are recorded in the statement of net position.		(633,589)
Net pension asset created through funding of the plan as employer contribution to the Commissioner pension plan is not recognized in the governmental fund financial statements.		27,998
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.		
Net OPEB liability		(76,686)
Net pension liability		(1,867,806)
Compensated absences		<u>(101,070)</u>
Net position of governmental activities		<u>\$ 5,806,716</u>

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

Town of Pembroke Park, Florida
Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Fund
For the Year Ended September 30, 2019

	<u>Major Fund</u> <u>General Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES		
Property taxes	\$ 5,709,767	\$ 5,709,767
Local option gas tax	106,441	106,441
Utility service taxes	1,235,357	1,235,357
Licenses and permits	1,290,376	1,290,376
Franchise taxes	866,905	866,905
Intergovernmental revenues	1,025,307	1,025,307
Charges for services	339,987	339,987
Fines and forfeitures	73,403	73,403
Grants revenues	125,000	125,000
Interest	125,487	125,487
Miscellaneous	173,852	173,852
Total revenues	<u>11,071,882</u>	<u>11,071,882</u>
EXPENDITURES		
Current		
General government	2,151,927	2,151,927
Public safety	6,050,086	6,050,086
Building	438,947	438,947
Physical environment	214,791	214,791
Public works	390,077	390,077
Culture and recreation	414,349	414,349
Capital outlay	538,326	538,326
Total expenditures	<u>10,198,503</u>	<u>10,198,503</u>
Excess of revenues over expenditures	873,379	873,379
OTHER FINANCING SOURCES		
Transfers in	623,681	623,681
Total other Financing Sources	<u>623,681</u>	<u>623,681</u>
Net change in fund balances	1,497,060	1,497,060
Fund balance – beginning	2,706,289	2,706,289
Fund balance – ending	<u>\$ 4,203,349</u>	<u>\$ 4,203,349</u>

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

Town of Pembroke Park, Florida
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balance of the Governmental Fund to
the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balance - total governmental funds	\$ 1,497,060
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is eliminated and are capitalized and reported as capital assets in the statement of net position.	538,753
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(217,475)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of the differences are as follows:	
Pension expense	226,625
Change in compensated absence	(192)
Change in other post-employment benefit obligation	(2,335)
Change in net position of governmental activities	<u>\$ 2,042,434</u>

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

Town of Pembroke Park, Florida
Statement of Net Position - Proprietary Funds
September 30, 2019

	Sewer Utility	Stormwater Drainage	Total
ASSETS			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 2,353,025	\$ 2,870,282	\$ 5,223,307
Equity in pooled investments	2,569,318	2,448,146	5,017,464
Accounts receivable, net	686,445	215,850	902,295
Restricted cash	939,848		939,848
Prepaid	6,810	1,764	8,574
Total current assets	<u>6,555,446</u>	<u>5,536,042</u>	<u>12,091,488</u>
Noncurrent assets:			
Capital assets:			
Construction in progress	-	34,347	34,347
Infrastructure	7,120,723	10,639,360	17,760,083
Machinery and equipment	179,772	29,056	208,828
Less accumulated depreciation	<u>(4,771,266)</u>	<u>(7,176,135)</u>	<u>(11,947,401)</u>
Total capital assets, net	<u>2,529,229</u>	<u>3,526,628</u>	<u>6,055,857</u>
Total noncurrent assets	<u>2,529,229</u>	<u>3,526,628</u>	<u>6,055,857</u>
Total assets	<u>9,084,675</u>	<u>9,062,670</u>	<u>18,147,345</u>
DEFERRED OUTFLOWS OF RESOURCE			
Pension	<u>125,940</u>	<u>50,376</u>	<u>176,316</u>
LIABILITIES			
Current liabilities:			
Accounts payable	120,260	7,084	127,344
Accrued liabilities	9,296	2,816	12,112
Accrued interest payable	7,613	-	7,613
Current portion of loan payable	36,000		36,000
Total current liabilities	<u>173,169</u>	<u>9,900</u>	<u>183,069</u>
Noncurrent liabilities:			
Notes and loans payable	2,052,000	-	2,052,000
Compensated absences	23,697	5,224	28,921
OPEB liability	14,201	5,681	19,882
Net pension liability	345,897	138,359	484,256
Total noncurrent liabilities	<u>2,435,795</u>	<u>149,264</u>	<u>2,585,059</u>
Total liabilities	<u>2,608,964</u>	<u>159,164</u>	<u>2,768,128</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>60,624</u>	<u>24,249</u>	<u>84,873</u>
NET POSITION			
Net investment in capital assets	417,532	3,521,404	3,938,936
Restricted for debt service	142,376	-	142,376
Restricted for capital projects	789,859	-	789,859
Unrestricted	5,191,260	5,408,229	10,599,489
Total net position	<u>\$ 6,541,027</u>	<u>\$ 8,929,633</u>	<u>\$ 15,470,660</u>

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

Town of Pembroke Park, Florida
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds
For the Year Ended September 30, 2019

	Major Funds		
	Sewer Utility	Stormwater Drainage	Total
OPERATING REVENUES			
Charges for services	\$ 2,793,759	\$ 1,372,337	\$ 4,166,096
Total operating revenues	2,793,759	1,372,337	4,166,096
OPERATING EXPENSES			
Salaries and benefits	376,799	171,402	548,201
Contractual services	917,224	-	917,224
Repairs and maintenance	80,796	23,962	104,758
Miscellaneous expense	23,168	14,510	37,678
Insurance premiums	113,213	64,430	177,643
Utilities	54,137	20,265	74,402
Depreciation and amortization	273,732	497,948	771,680
Total operating expense	1,839,069	792,517	2,631,586
Operating income	954,690	579,820	1,534,510
NON OPERATING REVENUES (EXPENSES)			
Interest revenue	133,774	109,634	243,408
Interest expense	(92,670)	-	(92,670)
Impact Fee	40,011	-	40,011
Total non-operating revenue (expenses)	81,115	109,634	190,749
Transfers	(417,697)	(205,984)	(623,681)
Change in net position	618,108	483,470	1,101,578
Net position - beginning	5,922,919	8,446,163	14,369,082
Net position - ending	\$ 6,541,027	\$ 8,929,633	\$ 15,470,660

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

Town of Pembroke Park, Florida
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2019

	Major Funds		
	Sewer Utility	Stormwater Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,867,667	\$ 1,451,073	\$ 4,318,740
Payments to employees	(584,992)	(169,557)	(754,549)
Payments to suppliers of goods and services	(1,077,836)	(63,729)	(1,141,565)
Net cash provided by operating activities	1,204,839	1,217,787	2,422,626
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Transfers	(417,697)	(205,984)	(623,681)
Cash received from impact fees and other	40,011	-	40,011
Net cash used in non-capital and related financing activities	(377,686)	(205,984)	(583,670)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(32,151)	(29,056)	(61,207)
Principal paid	(36,000)	-	(36,000)
Interest paid	(92,925)	-	(92,925)
Net cash used in capital and related financing activities	(161,076)	(29,056)	(190,132)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	133,774	106,883	240,657
Sales of investments	283,925	96,351	380,276
Net cash provided by capital and related financing activities	417,699	203,234	620,933
Net increase in cash and cash equivalents	1,083,776	1,185,981	2,269,757
Cash and cash equivalents – October 1	2,209,097	1,684,301	3,893,398
Cash and cash equivalents – September 30	\$ 3,292,873	\$ 2,870,282	\$ 6,163,155

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

Town of Pembroke Park, Florida
Statement of Fiduciary Net Position
September 30, 2019

	Sewer Utility	Drainage	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 954,690	\$ 579,820	\$ 1,534,510
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	273,732	497,948	771,680
Pension expense	(6,324)	60,140	53,816
OPEB expense	-	(2,360)	(2,360)
Decrease in accounts receivable	26,687	88,573	115,260
Increase in prepaids	(6,810)	(1,764)	(8,574)
Decrease in accounts payable	(2,512)	(4,992)	(7,504)
(Decrease) increase in accrued liabilities	(16,295)	422	(15,873)
Decrease in compensated absences	(18,328)	-	(18,328)
Total adjustments	250,150	637,967	888,117
Net cash provided by operating activities	<u>\$ 1,204,840</u>	<u>\$ 1,217,787</u>	<u>\$ 2,422,627</u>

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

Town of Pembroke Park, Florida
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2019

	Commissioner Pension Trust	
	Fund	Total
ADDITIONS		
Employer contributions	\$ 37,362	\$ 37,362
Investment income, net	67,948	67,948
Total additions	105,310	105,310
DEDUCTIONS		
Benefit payments	86,834	86,834
Administrative expenses	4,202	4,202
Total liabilities	91,036	91,036
Change in net position	14,274	14,274
Net position held in trust for pension benefits - beginning	3,083,393	3,083,393
Net position held in trust for pension benefits - ending	\$ 3,097,667	\$ 3,097,667

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

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial reporting entity

The Town of Pembroke Park was incorporated on December 10, 1957 and established on June 20, 1959 by Chapter 59-1722, Laws of Florida, as amended. The Town provides the following services as authorized by its charter; general government, public safety, physical environment, public works and culture and recreation.

The financial statements of Town of Pembroke Park, Florida (the "Town"), have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies of the Town:

The reporting entity is defined as the primary government and any organizations for which the primary government is financially accountable, and identification of legally separate organizations for which the elected officials of the Town are financially accountable. This criterion also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based upon this review, there were no potential component units or related organizations of the Town.

Financial accountability is deemed to exist if the primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and user charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded only when payment is due.

Property taxes, franchise fees, utility service taxes and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items such as fines and forfeitures and licenses and permits are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

The General Fund is the principal operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this Fund.

The Town reports the following major proprietary funds:

The Sewer Utility Fund accounts for the operation of the Town's sewer utility system.

The Stormwater Drainage Fund accounts for providing drainage services to the residents of the Town.

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the Town reports the following fiduciary fund:

Commissioners' Pension Trust Fund as a fiduciary fund, which accounts for the activities of the pension plan provided to the Town's commissioners.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of the Sewer Utility Fund and Stormwater Drainage Fund are charges to customers for sales and services.

Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and the provision for depreciation of capital assets. All revenues and expenses that do not meet this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities and net position or equity

1. Cash and Cash Equivalents

In connection with the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased.

The Town maintains a cash and investment pool that is available for use by all funds to facilitate the cash management process. Each fund's portion of this pool is included on the statement of net position/balance sheet as equity in pooled cash, cash equivalents and investments.

2. Investments

Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method. Expenditures for services extending over more than one accounting period are accounted for as expenditures of the period of use.

4. Restricted Assets

These assets represent cash and investments set aside pursuant to debt covenants or other contractual restrictions.

5. Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, infrastructure and machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$ 250 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period for Enterprise Funds.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	10-20 years
Infrastructure	20 years
Machinery and equipment	5 years

GASB No. 34 encourages but does not require certain governments to retroactively report infrastructure assets. The Town has elected not to retroactively report any unrecorded infrastructure that may exist.

6. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issue costs are expensed as incurred.

7. Compensated Absences Payable

Town employees may accumulate unused vacation and sick time and may be compensated for such time upon termination of employment at their pay rate in effect at their retirement date. For sick time, there is a limit payable upon termination of no more than \$500 for employees. For vacation time, the amount payable upon termination is limited to 400 hours of leave, except for the amount accrued by the Town Manager which is based on the contract between the Town and the Manager. The liability for these compensated absences in the General Fund is recorded as a long-term liability in the government-wide statement of net position. In the fund financial statements, governmental funds report only the compensated absence liabilities that have matured. In addition, the General Fund has always been used to liquidate compensated absences payable.

8. Encumbrances

Appropriations in budgetary funds are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitments. Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year end are completed. Encumbrances outstanding at year end do not constitute expenditures or liabilities.

9. Accounts Receivable

Accounts receivable and allowance for doubtful accounts at September 30, 2019 were as follows:

	General	Sewer	Stormwater Drainage	Total
State of Florida	\$ 48,026	\$ -	\$ -	\$ 48,026
FEMA	379,045			379,045
Utility taxes	74,265	-	-	74,265
Franchise fee	129,342	-	-	129,342
Broward County	33,922	570,459	238,769	843,150
Other receivables	35,614	-	-	35,614
City of Hollywood	-	163,854	-	163,854
Customer accounts receivable	228,786	-	-	228,786
Gross accounts receivable	929,000	734,313	238,769	1,902,082
Less: Allowance for uncollectable accounts	(125,000)	(47,868)	(22,919)	(195,787)
Accounts receivable, net	<u>\$ 804,000</u>	<u>\$ 686,445</u>	<u>\$ 215,850</u>	<u>\$ 1,706,295</u>

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town presents a deferred outflow of resources related to its pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town presents a deferred outflow of resources related to its pension liability.

11. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangement outstanding at the end of the year are referred to as either “interfund receivables/payables.” Any residual outstanding balances between the governmental activities and business-type activities at year end are reported in the government-wide financial statements as internal balances.

12. Unavailable/Unearned Revenue

Unavailable revenue (a deferred inflow of resources) is recorded for governmental fund receivables that are not both measurable and available. In addition, inflows that do not yet meet the criteria for revenue recognition, such as lease revenue collected in advance, are recorded as unearned revenue in the government-wide and fund statements.

13. Use of Estimates

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

14. Equity Classifications

Government-wide statements

Equity is classified as net position and displayed in three components:

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

The Town presents fund balance in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Town Commission is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund.

It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

15. New Accounting Standards Adopted

The following pronouncements did not have a material impact on the financial position or results of operations of the Town.

GASB Statement No. 83 - Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. If application for prior periods presented is not practicable, the reason for not applying this Statement to prior periods presented should be disclosed.

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Pronouncements Issued, but Not Yet Adopted

GASB Statement No. 84 - Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 - Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied prospectively. For construction-in-progress, interest cost incurred after the beginning of the first reporting period to which this Statement is applied should not be capitalized.

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB 90 - Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Except as discussed in paragraph 11, in the period this Statement is first applied, changes adopted to conform to the provisions of this

Statement should be applied retroactively by restating financial statements, if practicable, for all periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. Also, the reason for not restating prior periods presented should be disclosed. In the first period that this Statement is applied, the notes to financial statements should disclose the nature of the restatement and its effect.

The Town's management has not yet determined the effect these Statements will have on the Town's financial statements.

17. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. Subsequent events should be disclosed in the financial statements if exclusion of such disclosure would cause the financial statements to be misleading.

Management has evaluated subsequent events through October 7, 2020, the date the financial statements were available, and does not believe that there are any other events or transactions that require disclosure. Like other communities and globally, management is currently assessing the impact COVID-19 is having on the Town's day to day operations and will be making decisions on such matters that will be in the best interest of the citizens. Also see Note 10 – Commitments and Contingencies, Litigation.

NOTE 2 - BUDGETARY INFORMATION

Annual operating budgets are adopted by the Town for the General Fund and the Enterprise Funds, which are prepared on a basis consistent with generally accepted accounting principles. Amendments are made to the budgets during the year as approved by the Town Commission. The Town follows State guidelines in filing and submitting their budgets. Appropriations are legally controlled at the department level. Unexpended portions of budget categories lapse at year end.

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 2 - BUDGETARY INFORMATION (continued)

The adoption of the budget by the Town Commission constitutes the legal appropriation of the amounts specified therein as expenditures from the appropriate governmental fund. A department budget cannot be exceeded unless the Town Commission has approved a supplemental appropriation, by motion, at a public meeting. The Town Manager may authorize a budget adjustment among the various line items within a department, as long as the total budget for the department does not change.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits: In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments - Town: The investment of funds is authorized by Florida Statutes, which allows the Town to invest in the Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Inter local Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories and direct obligations of the U.S. Treasury.

The Town invests surplus funds in external investment pools, the Local Government Surplus Funds Trust Fund (the "State Pool"), administered by the Florida State Board of Administration ("SBA") and the Florida Municipal Investment Trust administered by the Florida League of Cities.

The Town's investments follow the investment rules as defined in Florida Statutes Chapter 215. The Town has not adopted a separate investment policy.

The State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The Town has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

As of September 30, 2019, the Town had the following investments:

Governmental Activities	Fair Value	Amortized Cost	Total	Fair Value Level	Credit Risk	Maturities
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME) FL Municipal Investment Trust 1-3 Year High Quality Bond	\$ -	\$ 145,132	\$ 145,132	N/A	S&P AAAm	Weighted average of the fund portfolio: 33 days
	4,096,787		4,096,787	2	Not Available	Not Available
	<u>\$ 4,096,787</u>	<u>\$ 145,132</u>	<u>\$4,241,919</u>			
Business-Type Activities						
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME) FL Municipal Investment Trust 1-3 Year High Quality Bond	\$ -	\$ 220,242	\$ 220,242	N/A	S&P AAAm	Weighted average of the fund portfolio: 33 days
	4,797,223	-	4,797,223	2	Not Available	Not Available
		\$				
	<u>\$ 4,797,223</u>	<u>220,241</u>	<u>\$5,017,465</u>			

Credit Risk: For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk: The Town places no limit on the amount the Town may invest in any one issuer.

Interest Rate Risk: Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investments fair value. The Town's investment within the Florida Municipal Investment Trust and SBA are exposed to interest rate risk.

Fair Value Measurement: When applicable, the Town measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- Level 1: Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Town has the ability to access;
- Level 2: Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- Level 3: Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the Town's investments in PRIME have been reported at amortized cost above.

FMIvT 1-3 Year High Quality Bond Fund - This fund invests mainly in US Government and agency securities and asset-backed securities. The underlying securities have observable level 1 quoted pricing inputs or observable level 2 significant other observable pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted. The Town considers these shares as level 2, since the value is based on market-corroborated data.

Florida Prime – With regard to redemption gates, Chapter 218.409(8) (a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

Investments – Town Commissioner Pension Plan: As of September 30, 2019, the Town’s Commissioner Pension Plan (the “Plan”) had the following investments:

	Fair Value	Fair Value Level	Credit Risk	Weighted Average Maturity
Loomis Sayles Investment Grade Bond A	\$ 727,371	2	AAA 21%, A 31%, BBB 29%, BB 10%, B 1%, Not Rated 8%	4.65 years
Janus Opportunistic Growth	552,918	2	N/ A	N/ A
Vanguard Equity- Income ADM	470,904	2	N/ A	N/ A
Invesco International Growth R5	177,977	2	N/ A	N/ A
Janus Triton N	173,384	2	N/ A	N/ A
DFA US Targeted Value I	144,016	2	N/ A	N/ A
	<u>\$ 2,246,570</u>			
	<u>Value</u>			
Life insurance and variable annuity contracts	<u>\$ 851,097</u>			

Interest Rate Risk: Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investments fair value. The investments held within the Loomis Sayles Investment Grade Bond Fund have an average maturity of 4.65 years. The other mutual funds are not subject to interest rate risk.

Credit Risk: For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Life Insurance and Variable Annuity Contracts: In order to provide death benefits to Town Commissioners (Note 8), the Town has entered into life insurance and variable annuity contracts with a financial institution.

NOTE 4 - PROPERTY TAXES

Property taxes are levied and become a lien on real and personal property prior to September 30, and are payable November 1, with discounts of one to four percent if paid prior to March 1 of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1, and bear interest of eighteen percent from April 1 until a tax sale certificate is sold at auction.

The Town is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$ 10 per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt subject to a limitation on the amount of debt outstanding. The tax rate to finance general governmental services and debt service requirements for the year ended September 30, 2019 was 8.5000 per \$1,000.

NOTE 5 - CAPITAL ASSETS

Capital asset activity governmental activities for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,120,064	\$ -	\$ -	\$ 2,120,064
Construction in progress	47,596	-	-	47,596
Total capital assets, not being depreciated	2,167,660	-	-	2,167,660
Capital assets, being depreciated				
Buildings	984,935	-	-	984,935
Machinery and equipment	3,226,611	131,805	53,394	3,305,022
Improvements other than buildings	1,351,662	-	-	1,351,662
Total capital assets, being depreciated	5,563,208	131,805	53,394	5,641,619
Less accumulated depreciation for:				
Buildings	945,537	19,699	-	965,236
Machinery and equipment	2,031,065	81,613	51,249	2,061,429
Improvements other than buildings	1,289,076	116,305	-	1,405,381
Total accumulated depreciation	4,265,678	217,617	51,249	4,432,046
Total capital assets, being depreciated, net	1,297,530	(85,812)	(2,145)	1,209,573
Governmental activities capital assets, net	\$ 3,465,190	\$ (88,812)	\$ (2,145)	\$ 3,377,233

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 5 - CAPITAL ASSETS (continued)

Provision for depreciation was charged to functions of the Town as follows:

	Governmental Activities
General government	\$ 42,750
Public safety	5,210
Building	5,815
Physical Environment	11,778
Public works	116,305
Culture and recreation	35,758
	<u>\$ 217,617</u>

Capital asset activity business-type activities for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Construction in progress	\$ 34,347	\$ -	\$ -	\$34,347
Total capital assets, not being depreciated	<u>34,347</u>	<u>-</u>	<u>\$ -</u>	<u>34,347</u>
Capital assets, being depreciated				
Infrastructure	17,760,083	-	-	17,760,083
Machinery and equipment	147,621	61,207	-	208,828
Total capital assets, being depreciated	<u>17,907,704</u>	<u>61,207</u>	<u>-</u>	<u>17,968,911</u>
Less accumulated depreciation for:				
Infrastructure	11,063,424	754,500	-	11,817,924
Machinery and equipment	112,296	17,181	-	129,477
Total accumulated depreciation	<u>11,175,720</u>	<u>771,681</u>	<u>-</u>	<u>11,947,401</u>
Total capital assets, being depreciated, net	<u>6,731,984</u>	<u>(710,474)</u>	<u>-</u>	<u>6,021,510</u>
Business-type activities capital assets, net	<u>\$ 6,766,331</u>	<u>(710,474)</u>	<u>\$ -</u>	<u>\$ 6,055,857</u>

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 5 - CAPITAL ASSETS (continued)

Provision for depreciation was charged to functions of the Town as follows:

	Business-type Activities
Sewer utility	\$ 273,732
Stormwater drainage district	497,948
	<u>\$ 771,680</u>

NOTE 6 – LONG-TERM DEBT

Debt: During the year ended September 30, 2019, the following changes occurred in debt of governmental and business-type activities:

	Beginning balance	Additions	Reductions	Ending Balance	Due in less than one year
<u>Governmental activities</u>					
Net pension liability	\$2,997,766	\$ -	\$1,129,920	\$1,867,846	
Net OPEB Liability (restated)	74,351	2,335	-	76,686	
Compensated absences	77,337	23,733	-	101,070	
	\$	\$	\$	\$	
	<u>3,149,454</u>	<u>26,068</u>	<u>1,129,920</u>	<u>2,045,602</u>	
<u>Business-type activities</u>					
Revenue Bond, Series 2009	\$2,124,000	\$-	36,000	2,088,000	36,000
Net pension liability	491,216		6,960	484,256	
Net OPEB Liability (restated)	20,045		163	19,882	
Compensated absences	46,134		17,212	28,922	
	<u>\$2,681,395</u>	<u>\$</u>	<u>\$ 60,335</u>	<u>\$2,621,060</u>	<u>\$ 36,000</u>

The Town previously issued Sewer Revenue Bond, Series 2009, in the amount of \$2,360,000. The bond proceeds were used to pay off the entire balance of the interim financing that had been used to finance a part of the cost of acquiring, constructing and erecting extensions and improvements to the municipal sewer system of the Town. The Bond bears interest, payable annually on September 1, at the rate of 4.375% per annum through September 2048. Principal is due beginning on September 1, 2011 through September 1, 2048. The Bond contains certain restrictive covenants which include; adopting annual operating budgets, the establishment of revenue, operation and maintenance and bond sinking funds; and the establishment of rates sufficient to satisfy debt service requirements. For the year ended September 30, 2019, these covenants have been met. The Bond is secured by a pledge of revenues from the Town's revenues from the Sewer Utility Fund.

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 6 – LONG-TERM DEBT (continued)

The following is a schedule of approximate future debt service requirements for business-type activities at September 30, 2019

Year ending	Principal	Interest	Total
September 30,			
2020	\$ 36,000	\$ 92,350	\$ 128,350
2021	39,000	89,730	128,730
2022	40,000	88,025	128,025
2023	42,000	86,275	128,275
2024	44,000	84,438	128,438
2025-2029	251,000	391,563	642,563
2030-2034	311,000	331,669	642,669
2035-2039	386,000	257,250	643,250
2040-2044	476,000	165,375	641,375
2045-2048	463,000	50,625	513,625
Total	\$ 2,088,000	\$ 1,637,300	\$ 3,725,300

NOTE 7 - FLORIDA RETIREMENT SYSTEM

As provided by Chapters 121 and 112, Florida Statutes, the Florida Retirement System (“FRS”) provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature. Employees of the Town are eligible to participate in FRS.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.60% of their final average compensation based on the five highest years of salary for each year of credited service.

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 7 - FLORIDA RETIREMENT SYSTEM (continued)

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Elected Officers' class members. Also, the final average compensation for all these members will be based on the eight highest years of salary

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. Contribution rates during the 2019 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary July 1, 2018 to September 30, 2018</u>		<u>Percent of Gross Salary July 1, 2019 to September 30, 2019</u>	
	<u>Employee</u>	<u>Employer (1)</u>	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.26	3.00	8.47
FRS, Senior Management	3.00	24.06	3.00	25.41
FRS, Elected Officers	3.00	48.7	3.00	48.2

(1) Employer rates include a postemployment HIS contribution rate of 1.66%. Also, employer rates include .06% for administrative costs of the Investment plan.

The Town's contributions to the Pension Plan totaled \$172,378 for the fiscal year ended September 30, 2019.

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 7 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, the Town reported a liability of \$1,837,772 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Town's proportion of the net pension liability was based on a projection of the Town's 2018-19 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the Town's proportion was .0053% percent, which was a decrease of .0039% percentage points from its proportion measured as of June 30, 2018.

For the year ended September 30, 2019, the Town recognized pension expense of \$430,790 related to the FRS plan. At September 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 109,004	\$ (1,141)
Change of assumptions	472,019	-
Net difference between projected and actual on FRS earnings pension plan investments	-	(101,675)
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	126,263	(689,934)
Town FRS contributions subsequent to the measurement date	37,260	
Total	<u>\$ 744,546</u>	<u>(792,750)</u>

\$37,260 reported as deferred outflows of resources related to the Pension Plan resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Amount
2019	\$ (30,994)
2020	(9,350)
2021	(22,591)
2022	(17,041)
2023	(4,395)
Thereafter	<u>(1,093)</u>
Total	<u>\$ (85,464)</u>

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 7 - FLORIDA RETIREMENT SYSTEM (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

During the fiscal year 2019 the following changing occurred:

Mortality assumption was changed from Generational RP-2000 with projection scale BB tables to PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was decreased from 7.00% to 6.90%. The rate is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Arithmetic Return	(Geometric) Return	Standard Deviation
Cash	1.0%	3.30%	3.30%	1.2%
Fixed income	18.0%	4.10%	4.10%	3.50%
Global equity	54.0%	8.00%	6.80%	16.50%
Real estate (property)	11.0%	6.70%	6.0%	11.70%
Private equity	10.0%	11.20%	8.40%	25.80%
Strategic investments	6.0%	5.90%	5.70%	6.70%
Total	<u>100.0%</u>			
Assumed inflation-mean			2.60%	1.70%

(1) As outlined in the Plan's investment policy

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 7 - FLORIDA RETIREMENT SYSTEM (continued)

Sensitivity of the Town’s proportion share of the net pension liability to changes in the discount rate - The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Town's proportionate share of net pension liability	\$ 3,176,896	\$ 1,837,772	\$ 719,377

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

HIS Plan

Plan Description

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2019, the HIS contribution for the period October 1, 2018 through September 30, 2019 was 1.66%. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town’s contributions to the HIS Plan totaled \$25,593 for the fiscal year ended September 20, 2019.

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 7 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, the Town reported a liability of \$514,330 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Town's proportionate share of the net pension liability was based on the Town's 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the Town's proportionate share was .0046% percent, which was a decrease of .00023% percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the Town recognized pension expense of \$15,950 related to the HIS plan. In addition the Town reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 6,247	\$ (630)
Change of assumptions	59,555	(42,037)
Net difference between projected and actual earnings on HIS plan investments	332	-
Changes in proportion and differences between Town HIS contributions and proportionate share of HIS contributions	39,440	(212,210)
Town HIS contributions to the measurement date	<u>6,271</u>	<u>-</u>
Total	<u>\$ 111,845</u>	<u>\$ (254,877)</u>

The deferred outflows of resources related to the HIS Plan, totaling \$6,271 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2019	\$ (60,954)
2020	(48,783)
2021	(26,704)
2022	19,392
2023	(3,522)
Thereafter	(22,458)
Total	<u>\$ (143,032)</u>

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 7 - FLORIDA RETIREMENT SYSTEM (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.50%

Mortality rates based on the Generational RP-2000 with Projection Scale BB tables. The municipal bond rate used to determine total pension liability was decreased from 3.87% to 3.50%

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 3.50%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 3.50%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Town's proportionate share of net pension liability	\$ 587,134	\$ 514,330	\$ 453,692

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 8 - TOWN COMMISSIONER PENSION PLAN

During the fiscal year ended September 30, 2009, the Town Commission created, under the laws of the State of Florida, a single employer defined benefit pension plan that covers members of the Town Commission (the “Plan”). The administrative duties for this Plan are handled through Securian Retirement Services. A more detailed description of the Plan appears in the ordinances constituting the Plan and in the Summary Plan Description. The Plan does not issue a stand-alone financial report, but is included in the reporting entity of the Town as a pension trust fund. Amendments to the plan document can only be authorized by the Town Commission.

At September 30, 2019, there are 5 active plan members and 2 retiree and beneficiaries receiving benefits.

Members of the Plan are eligible for benefits at their normal retirement date, which is the first day of the month coincident with, or next, following attainment of age 62 or 4 years of credited service if hired prior to October 1, 2008 or attainment of age 62 or 13 years of credited service if hired after.

Normal benefits are equal to 5% of the average monthly compensation multiplied by the credited years of service, with a maximum of 20 credited years. The maximum benefit under the plan is \$195,000, which is subject to certain limitations if less than 10 years of credited service are attained.

Upon the death of a member, benefits cease to be paid out of Plan assets. However, a beneficiary will receive an annuity equal to the accrued benefit owed to the plan member, payable over 10 years.

During the year, the Town made a contribution to the Plan in the amount of \$37,362. At September 30, 2019, the Plan holds \$2,246,570 in investments (Note 3).

Actuarial methods and significant assumptions used to measure the total pension liability for the current year are as follows:

Valuation date	October 1, 2019
Measurement date	September 30, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions	
Rate of return	6.5%
Projected salary increases	3.00%
Inflation adjustment	2.75%
Retirement age	Early retirement age
	IRS Prescribed Mortality RP2000
	Generational White Collar Annuitant
	using scale BB for females and
	RP2000 Generational Blended 50%
	While Collar and 50% Blue Collar.
Mortality	Annuitant using Scale BB for males

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 8 – TOWN COMMISSIONER PENSION PLAN (continued)

Development of Single Discount Rate

Single Discount Rate	6.5%
Long-Term Expected Rate of Return	6.5%
Long-Term Municipal Bond Rate	N/A

The Town does not issue audited stand-alone financial statements for the Plan. Therefore, the provisions of GASB Statement No.67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No.25* have been incorporated to this Annual Financial Report in the paragraphs below and Required Supplementary Information section.

Investments

The Plan’s policy in regard to the allocation of invested assets is established by the Pension Board. The Plan currently has all of its funds invested through Securian Retirement Services. The investment policy may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Overall asset allocation targets are reviewed on an annual basis. The following is the adopted asset allocation policy as of September 30, 2019:

Asset Class/Investment Category	Target Allocation
Equity Securities and Similar Funds:	
U.S. stocks	38.00%
Global stocks	10.00%
	48.00%
Fixed Income and Similar Funds:	
Multi Sector Bonds	32.00%
Alternative Investments	20.00%
Total	100.00%

Concentrations - Governmental entities need to disclose the concentration of credit risk with a single issuer. If 5.00% or more of the total assets of the portfolio are invested with one issuer, an additional disclosure is required. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements. There were no individual investments that represent 5.00% or more, at September 30, 2019, that met the criteria for disclosure.

Rate of Return – For the year ended September 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 8 – TOWN COMMISSIONER PENSION PLAN (continued)

The long-term expected rate of return on 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 Town’s target asset allocation as of September 30, 2019 are summarized in the following table:

Target Allocation	Asset Class	Long Term Expected Real Rate or Return (Arithmetic)
38%	U.S. Stocks	4.74%
10%	Global Stocks	2.50%
32%	Multi Sector Bonds	2.00%

Discount rate

The discount rate used to measure the total pension liability was 6.50% per annum. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The changes in net pension liability (asset) for the year ended September 30, 2019 is as follows:

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (a) (b)
Balances at September 30, 2018	\$ 2,875,687	\$ 3,083,393	\$ 207,709
Changes for the year:			
Service cost	61,060	-	61,060
Interest cost	184,097	-	184,097
Contributions employer	-	37,362	(37,362)
Differences between expected and actual experience	35,662	-	35,662
Net investment income	-	67,948	(67,948)
Benefit payments, including refunds of member contributions	(86,834)	(86,834)	-
Administrative expense		(4,202)	4,202
Net Changes	193,985	14,274	179,711
Balances at September 30, 2019	\$ 3,069,672	\$ 3,097,667	\$ (27,998)

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 8 – TOWN COMMISSIONER PENSION PLAN (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Town, calculated using the discount rate of 6.5%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1.00% lower (5.50%) or 1.00% higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability (Asset)	\$ 269,457	\$ (27,998)	\$ (276,582)

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2019, the Town recognized pension expense of \$(108,341) for this Plan. At September 30, 2019 the Town reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,662	\$ (185,318)
Change of assumptions	-	-
Difference between projected and actual earnings on pension plan investments	161,550	(120,904)
Total	<u>\$ 197,212</u>	<u>\$ (306,222)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ending September 30:	Amount
2019	\$ (159,024)
2020	(4,528)
2021	2,333
2022	18,931
2023	33,278
Thereafter	-
Total	<u>\$ 109,010</u>

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description and Funding Policy: The Town offers retired employees the opportunity to retain the Town’s health insurance coverage. Retirees contribute an amount equal to the actual premium for health insurance that is charged by the carrier. However, there is an implied subsidy in the insurance premium for retirees because the premium charged for retirees is the same as the premium charged for active employees, who are younger than retirees on average

Additionally, Town Commissioner’s beneficiaries are eligible for a pre-funded benefit should the Commissioner become deceased while in active service. The funding for this benefit has been accomplished through the purchase of life insurance products or an annuity product that is expected to cover the costs of the possible benefits.

During the year, the Town had 34 active participants and no retirees receiving benefits.

Actuarial Assumptions: Projections of benefits are based on the substantive plan and include the types of benefits in force at the time of valuation date and the pattern of sharing benefits between the Town and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce the short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Additionally, actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The cost developed is only an estimate of the true cost of providing post-employment benefits. The basis for these benefits is authorized by the Town Commission by resolution.

Significant actuarial assumptions used to calculate the total OPEB liability were as follows:

Actuarial valuation date	9/30/2017
Actuarial cost method	Entry Age Cost Method (Level % of pay)
Discount rate	4.18% per annum (based on the September 20, 2019 Bond Buyer 20-Bond Index)
Projected salary increases	2.50%
Inflation	2.50%
Health Care inflation	Initial trend rate of 8.00% in fiscal 2019, grading down to the ultimate trend rate of 4.0% in fiscal year 2073
Mortality rates	RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Scale AA

Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Retirement rates	100% at normal retirement eligibility of 62
FRS Retirement eligibility	FRS Tier 1 (hired before July 1, 2011): age 62 with 6 years of service, or 30 years of service regardless of age FRS Tier 2 (hired on or after July 1, 2011): age 65 with 8 years of service or 33 years of service regardless of age.
Marital status	100% assumed married, with male spouses 3 years older than female spouses
Health care participation	20% participation assumed, with 50% electing spouse coverage
Health contributions	
Employee	100% of the active premium rate
Town	Remaining amount necessary for payment of claims

During the current year, the discount rate was increased from 3.64% to 4.18%.

The total OPEB liability at September 30, 2019 has been reflected on the Statement of Net Position. The plan is not pre-funded and is therefore supported on a pay-as-you-go basis.

Changes in the Total OPEB Liability: Sources of changes in the total OPEB liability for the fiscal year ended September 30, 2019 were as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance as of September 30, 2017 for FY 18	\$ 94,396	\$ -	\$ 94,396
Changes due to:			
Service cost	6,710	-	6,710
Interest	3,646	-	3,646
Experience losses/(gains)	-	-	-
Changes in assumptions	(6,297)	-	(6,297)
Benefit payments and refunds	(1,887)	-	(1,887)
Balance as of September 30, 2018 for FY 19	<u>\$ 96,566</u>	<u>\$ -</u>	<u>\$ 96,566</u>

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.18%) or 1-percentage-point higher (5.18%) than the current discount rate:

	1% Decrease (3.18%)	Current Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB liability \$	108,719	\$ 96,566	\$ 86,312

Sensitivity of the Total OPEB Liability Using Alternative Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower (3% to 7.5%) or 1-percentage- point higher (5% increasing to 9.5%) than the current healthcare cost trend rates:

	1% Decrease (3.0% to 7.5%)	Healthcare Cost Trend (4.0% to 8.5%)	1% Increase (5.0% to 9.5%)
Total OPEB liability \$	84,547	\$ 96,568	\$ 110,987

OPEB Expense

For the year ended September 30, 2019, the Town recognized OPEB expense of \$7,009.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Risk Management:

During the fiscal year ended September 30, 2019 the Town has participated in the Florida League of Cities which is a not-for-profit corporation, self-insurance program for workers' compensation, general and auto liability, and property insurance. With this program the Town has limited its exposure to a variety of risks such as loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters.

Annually, participants in this program are billed for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not assessed for unanticipated losses incurred by the program.

Grant Contingency:

The Town usually, in the form of grant, receives financial assistance from federal, state and local governmental agencies. Funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies.

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

In accordance with Title 2 *U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Florida Single Audit Act, the Town is required to conduct "single audits" when the required thresholds of \$ 750,000 in grant expenditures from either source is exceeded. For the year ended September 30, 2019, neither a Federal single audit in accordance with the Uniform Guidance nor a state single audit in accordance with the Florida Single Audit Act was required.

Significant Agreements:

During the fiscal year 2019 the Town was still into an agreement with the Broward Sheriff's Office (BSO) to provide professional police services. According to this initial term of this agreement the contract may be renewed for an additional three years, and then for an additional five years upon mutual agreement of the parties.

The agreement may be terminated upon default if one of the parties gives the other party thirty days written notice. As of September 30, 2019, this agreement was in a continuing month to month basis. The maximum increase in the fee each year will be five percent for operating costs and nine percent for costs relating to health insurance premiums. There is no limitation on the cost increase related to workers' compensation premiums and pension contributions. The Town paid a total of \$3,028,604 and \$516 for police services and traffic enforcement respectively for the year ended September 30, 2019.

The Town also has an agreement with Broward Sheriff's Office to provide emergency medical and fire protection services. The renewal and termination terms are the same as noted for the police services agreement. As of September 30, 2019, this agreement was in a continuing month to month basis. For the subsequent fiscal years, the amount owed will be based on the Sheriff's budgeted costs, subject to the restrictions noted under the police services agreement. The amount paid for emergency medical and fire protection services for the year ended September 30, 2019 was \$3,021,482.

As of September 30, 2019 the Town is still in a dispute with BSO regarding possible overpayments under the contract. The result of this dispute is still not determined. The Town financial statements have not been adjusted in relation to this matter.

The Town has an agreement with the City of Hollywood for sewage disposal. The monthly charges for the disposal service are included in the operating expenses of the Sewer Utility Fund.

Litigation:

The Town settled its lawsuit with a terminated employee in fiscal year ended September 30, 2020 for \$25,000. The Town is still involved in various claims and litigation arising in the ordinary course of operations. According to the management none of them will have a material effect on the Town's financial position.

**Town of Pembroke Park, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

Outstanding Claim:

As of the report date, the Town has not paid the former Town Manager his compensated absences as the amount owed is in dispute. During the fiscal year ended September 30, 2019 Town Manager's Compensated absence has been recalculated based on the effective time of services. It has been decreased from \$365,000 to approximately \$341,500.

Broward Office of the Inspector General (OIG) Investigation:

As of the report date, the Town is still under an ongoing investigation by the OIG. In February 2, 2018 the OIG issued a report noting misconduct and gross mismanagement in the procurement of certain professional engineering services between 1995 and 2015. According to the OIG report the Town violated federal procurement requirements relating to certain federal grants that were sub-awarded by Broward County to the Town and thus referred the matter to the Office of the Inspector General of the U.S. Department of Housing and Urban Development (HUD).

Subsequent to year-end, the OIG started additional investigations into:

- Other areas of expenditures, including payroll.
- Whether Town of Pembroke Park Mayor Ashira Mohammed misused her public position to benefit herself and her law firm.

The outcome of these investigation cannot be determined. Therefore, the financial statements have not been adjusted in relation to these matters.

Required Supplementary Information

Town of Pembroke Park, Florida
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund
For the Fiscal Year Ended September 30, 2019

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
REVENUES			
Property taxes	\$ 5,702,714	\$ 5,709,767	\$ 7,053
Local option gas tax	118,739	106,441	(12,298)
Utility service taxes	1,266,444	1,235,357	(31,087)
Licenses and permits	1,040,071	1,290,376	250,305
Franchise taxes	822,050	866,905	44,855
Intergovernmental revenues	824,778	1,025,307	200,529
Charges for services	344,300	339,987	(4,313)
Fines and forfeitures	52,000	73,403	21,403
Grant Revenue	250,000	125,000	(125,000)
Interest	43,152	125,487	82,335
Miscellaneous	771,992	797,533	25,542
Total revenues	<u>11,236,240</u>	<u>11,695,563</u>	<u>459,324</u>
EXPENDITURES			
Current:			
General government:			
Mayor and Commission	445,125	310,552	(134,573)
Financial and administrative	1,417,369	805,161	(612,208)
Town attorney	244,000	239,356	(4,644)
Comprehensive planning	271,000	262,580	(8,420)
Non-departmental	653,142	534,277	(118,865)
Total general governmental	<u>3,030,636</u>	<u>2,151,927</u>	<u>(878,709)</u>
Public safety			
Police	3,049,769	3,028,604	(21,164)
Fire	3,021,482	3,021,482	-
Total public safety	<u>6,071,250</u>	<u>6,050,086</u>	<u>(21,164)</u>
Building	458,235	438,947	(19,288)
Physical environment	322,795	214,791	(108,004)
Public works	427,193	390,077	(37,116)
Culture and recreation	348,149	414,349	66,200
Capital outlay	577,982	538,326	(39,656)
Total expenditures	<u>11,236,240</u>	<u>10,198,503</u>	<u>(1,037,737)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>1,497,060</u>	<u>\$ (578,414)</u>
Fund balance – beginning		<u>2,706,289</u>	
Fund balance – ending		<u>\$ 4,203,349</u>	

See notes to schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund.

Town of Pembroke Park, Florida
Required Supplementary Information
Notes to Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual –
General Fund
For the Fiscal Year Ended September 30, 2019

Budgets and Budgetary Accounting

Annual Budget for the General Fund and the Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles, except for the provision for depreciation and amortization which is not budgeted in the Enterprise Funds. The Budget process is as follows:

1. Prior to August 1, The Town Manager submits to the town Commission a proposed budget for the Fiscal year commencing in October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an appropriation ordinance.
4. The appropriated budget is prepared and adopted by fund, function and department. A department budget cannot be exceeded unless the Town Commission has approved a supplemental appropriation, by motion, at a public meeting. The Town Manager may authorize a budget adjustment among the various line items within a department, as long as the total budget for the department does not change.

Excess of expenditures over appropriations

For the year ended September 30, 2019, expenditures exceeded appropriations in the following departments.

<u>Department</u>	<u>Excess Expenditures over Budget</u>
Culture and recreation	\$66,200

Town of Pembroke Park, Florida
Required Supplementary Information
Pension Plan for Town Commissioners
Schedule of Changes in Net Pension Liability and Related Ratios

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 61,060	\$ 316,660	\$ 66,093	\$ 55,785	\$ 21,941	\$ 21,303
Interest	184,097	180,541	176,986	127,969	99,066	94,948
Differences between expected and actual experiences	35,662	(370,636)	(146,601)	177,571	321,666	(4,885)
Changes in assumptions and methods	-	-	-	(420,088)	(427,321)	-
Benefit payments, including refunds of member contributions	(86,834)	(56,882)	(26,663)	(27,956)	(27,900)	(30,087)
Net change in total pension liability	193,985	69,683	69,815	753,457	(12,548)	81,279
Total pension liability – beginning	2,875,684	2,806,001	2,736,186	1,982,729	1,995,277	1,913,998
Total pension liability – ending	3,069,669	2,875,684	2,806,001	2,736,186	1,982,729	1,199,277
Plan fiduciary net position						
Contributions – employer	37,362	370,136	121,583	137,490	62,510	66,669
Net investment income	67,948	246,124	229,468	150,300	(75,642)	136,270
Benefit payments, including refunds of member contributions	(86,834)	(56,882)	(26,663)	(27,956)	(27,900)	(30,087)
Administrative expenses	(4,202)	(4,404)	(4,183)	(8,384)	-	(4,192)
Other	-	-	-	445,681	-	-
Net change in plan fiduciary net position	14,274	554,974	320,205	697,131	(41,032)	168,660
Plan fiduciary net position – beginning	3,083,393	2,528,419	2,208,214	1,511,083	1,552,115	1,383,455
Plan fiduciary net position – ending	3,097,667	3,083,393	2,528,419	2,208,214	1,511,083	1,552,115
Town net pension liability – ending	(27,998)	(207,709)	277,582	527,972	471,646	443,162
Plan fiduciary net position as a percentage of the total pension liability	100.91%	107%	90%	81%	76%	78%
Covered payroll	\$ 43,260	\$ 43,260	\$ 43,260	\$ 42,000	\$ 36,000	\$ 28,000
Town net pension liability as a percentage of covered payroll	-64.72%	-480%	642%	1257%	1310%	1583%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Town of Pembroke Park, Florida
Required Supplementary Information
Pension Plan for Town Commissioners
Schedule of Contributions
For the year ended September 30, 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 38,529	\$351,306	\$ 80,278	\$ 67,848	\$ 62,510	\$ 66,669	\$ 67,003	\$ 82,875	\$141,245	\$ 94,591
Actual contribution	37,362	370,136	121,583	137,490	62,510	66,669	108,012	82,875	141,245	94,591
Contribution deficiency (excess)	\$ 1,167	(18,830)	(41,305)	(69,642)	-	-	(41,009)	-	-	-
Covered payroll	\$154,000	\$154,000	\$180,000	\$180,000	\$144,000	\$140,000	\$140,000	\$126,000	\$126,000	\$126,000
Contributions as a % of covered payroll	24.26%	240.35%	67.55%	76.38%	43.41%	47.62%	85.72%	65.77%	112.10%	75.07%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate
Amortization method	Level dollar closed
Inflation	2.75%
Salary increases	3.00%
Investment rate of return	6.50%
Retirement age	Early retirement age
Mortality	IRS Prescribed Mortality RP2000 – Generational White Collar Annuitant using scale BB for females and RP2000 – Generational Blended 50% White Collar and 50% Blue Collar Annuitant using Scale BB for males

Town of Pembroke Park, Florida
Required Supplementary Information
Pension Plan for Town Commissioners
Annual Money-Weighted Rate of Return
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Annual money weighted rate of return, net of investment expense	9.85%	4.76%	17.34%	11.97%	9.65%	4.79%	9.47%	10.13%	8.67%	2.24%

Town of Pembroke Park, Florida
Schedule of Proportionate Share of Net Pension Liability
Retiree Health Insurance Subsidy Program
Last 10 Fiscal Years*

Florida Retirement System Pension Plan

	2019	2018	2017	2016	2015	2014
Town's proportion of the FRS net pension liability	0.0053%	0.0092%	0.0089%	0.0085%	0.0092%	0.0080%
Town's proportionate share of the FRS net pension liability	\$ 1,837,772	\$ 2,761,625	\$ 2,461,826	\$ 2,145,618	\$ 1,971,713	\$ 485,749
Town's covered payroll	\$ 1,541,730	\$ 2,150,710	\$ 2,045,188	\$ 1,836,696	\$ 1,978,680	\$ 1,852,809
Town's proportionate share of the FRS net pension liability as a percentage of its covered payroll	119.20%	128.41%	129.17%	116.82%	60.23%	26.22%
FRS plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.80%	84.88%	92.00%	96.09%

Retiree Health Insurance Subsidy Program

	2019	2018	2017	2016	2015	2014
Town's proportion of the HIS net pension liability	0.0046%	0.0069%	0.0070%	0.0065%	0.0064%	0.0061%
Town's proportionate share of the HIS net pension liability	\$ 514,330	\$ 727,357	\$ 747,307	\$ 752,274	\$ 657,431	\$ 574,234
Town's covered payroll	\$ 1,541,730	\$ 2,150,710	\$ 2,045,188	\$ 1,836,696	\$ 1,978,680	\$ 1,852,809
Town's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.36%	33.82%	36.54%	40.96%	33.23%	30.99%
HIS plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

* This schedule is intended to present information for ten years. However, until a full ten year trend is compiled, the pension plan will present information for those years for which the information is available.

Town of Pembroke Park, Florida
Schedule of Contributions
Florida Retirement System Pension Plan
Last 10 Fiscal Years*

Florida Retirement System
Pension Plan

	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 172,378	\$ 225,033	\$ 233,168	\$ 211,718	\$ 228,392	\$ 207,813
FRS contributions in relation to the contractually required contribution	(172,378)	(225,033)	(233,168)	(211,718)	(228,392)	(207,813)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 1,541,730	\$ 1,907,590	\$ 2,074,311	\$ 1,902,689	\$ 1,978,680	\$ 1,852,809
FRS contributions as a percentage of covered payroll	11.18%	11.80%	11.24%	11.13%	11.54%	11.22%

Retiree Health Insurance Subsidy
Program

	2019	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 25,593	\$ 31,666	\$ 34,433	\$ 31,588	\$ 26,843	\$ 22,507
HIS contributions in relation to the contractually required contribution	(25,593)	(31,666)	(34,433)	(31,588)	(26,843)	(22,507)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$1,541,730	\$ 1,907,590	\$ 2,074,311	\$ 1,902,689	\$ 1,978,680	\$ 1,852,809
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.36%	1.21%

* This schedule is intended to present information for ten years. However, until a full ten year trend is compiled the pension plan will present information for those years for which the information is available.

Town of Pembroke Park, Florida
Required Supplementary Information
Other Post-Employment Benefits Plan
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios

	<u>2019</u>
Total OPEB Liability	
Service cost	\$ 6,710
Interest	3,646
Difference between expected and actual experience	-
Assumption changes	(6,297)
Benefit payments and refunds	<u>(1,887)</u>
Net change in Total OPEB Liability	2,172
Total OPEB Liability - Beginning of Year	<u>94,396</u>
Total OPEB Liability - End of Year	<u><u>96,568</u></u>
 Total OPEB Liability	
Fiduciary net position as a % of Total OPEB Liability	0.00%
Covered payroll	\$ 2,800,108
Total OPEB liability as a percentage of covered payroll	3.45%

(1) GASB 75 requires information for 10 years. However, until a full ten- year trend is compiled, information will be presented for only those years which information is available.

Notes to Schedule

Changes of assumptions: The discount rate was changed as follows:

Fiscal year ending	Discount Rate
9/30/2017	3.06%
9/30/2018	3.64%
9/30/2019	4.18%

COMPLIANCE SECTION



2521 Hollywood Boulevard
Hollywood, Florida 33020
Telephone: 954-927-5900
Fax: 954-927-5927

6100 NW 2nd Avenue
Miami, Florida 33127
Telephone: 305-628-1510
Fax: 305-628-1595

900 Osceola Drive, Suite 107C
West Palm Beach, Florida 33409
Telephone: 561-547-0545
Fax: 561-253-2747

Member: American Institute of Certified Public Accountants | Florida Institute of Certified Public Accountants

**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 Honorable Mayor and Town Commission
Town of Pembroke Park, Florida
Pembroke Park, Florida

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 governmental activities, the business-type type activities, each major fund, and the fiduciary funds information of Town of Pembroke Park, Florida (the “Town”) as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements and have issued our report thereon dated October 7, 2020, which includes a qualified opinion.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’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 have not been identified. However, as described in the accompanying Management Letter in accordance to the Rules of the Auditor General of the State of Florida, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Management Letter Pursuant to the Rules of the Auditor General of the State of Florida as item 2019- 01 to be material weaknesses.

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. We consider the deficiency described in the accompanying Management Letter Pursuant to the Rules of the Auditor General of the State of Florida as item 2019-02, 2019-03 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Management Letter Pursuant to the Rules of the Auditor General of the State of Florida as items 2019-01.

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the Town in a separate letter dated October 7, 2020.

The Town's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the Town's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above the typed name and address.

Hollywood, Florida
October 7, 2020



2521 Hollywood Boulevard
Hollywood, Florida 33020
Telephone: 954-927-5900
Fax: 954-927-5927

6100 NW 2nd Avenue
Miami, Florida 33127
Telephone: 305-628-1510
Fax: 305-628-1595

900 Osceola Drive, Suite 107C
West Palm Beach, Florida 33409
Telephone: 561-547-0545
Fax: 561-253-2747

Member: American Institute of Certified Public Accountants | Florida Institute of Certified Public Accountants

**INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

To the Honorable Mayor and Town Commission
Town of Pembroke Park, Florida
Pembroke Park, Florida

We have examined Town of Pembroke Park, Florida’s (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the fiscal year ended September 30, 2019. Management is responsible for the Town’s compliance with those requirements. Our responsibility is to express an opinion on the Town’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town’s compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2019.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Town Commission of the Town of Pembroke Park, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Hollywood, Florida
October 7, 2020

MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Honorable Mayor and Town Commission
Town of Pembroke Park,
Florida Pembroke Park, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Town of Pembroke Park, Florida (the “Town”) as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated October 7, 2020, which includes a qualified opinion.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated October 7, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address certain findings and recommendations made in the preceding annual financial audit report and the current status is described in our Schedule of Findings and Responses.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The

name or official title and legal authority of the primary government is disclosed in the notes to the financial statements. There are no component units.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, recommendations accompany this report in the Schedule of Findings and Responses.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that there were no special district component unit associated with the Town of Pembroke Park that was required to provide information for reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Mayor, Town Commission, management, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and Federal and other granting agencies, as applicable, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is centered within a light blue rectangular box.

Hollywood, Florida
October 7, 2020

**REPORT TO MANAGEMENT
SCHEDULE OF FINDINGS AND RESPONSES**

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Material Weakness

2019-01 Internal Controls over Payroll and Payroll Documentation:

Observation: During our procedures, we noted inconsistencies in payroll policies and documentation. The issues identified were as follows:

- In some instances employees' personal files were not available, maintained in proper order and necessary forms were missing in some other employee's file which were tested.
- Inadequate documentation provided to verify approved pay rates for employee at the hiring date.
- In one instance, the overtime hours were manually inserted on the time card instead of being clocked by the time card system.
- In some Instances employee's time sheets were not signed and reviewed.

Recommendation: The Town should ensure that all active employees' files are in order and maintained with all required and necessary forms signed by the hired employee and the department head. In addition, the management need to review the vacation accrual schedule to ensure that all employees have the correct vacation hours accrued based on their hiring date.

Management's response: The Town hired a human resources consultant to review the employee's personal files and ensure that all files include the necessary forms. The consultant will continue the process of reviewing the personal files with an estimate time of completion by the end of calendar year 2020. Management will ensure that all policies are adhered to and implemented according to the policy. Management will recalculate and correct the schedule of vacation accrued and ensure that hours accrued adhere to the Town's policy. Management will communicate to their payroll employees that no manual inserted hours allowed unless they are reviewed and approved by the department head and the management.

**REPORT TO MANAGEMENT
SCHEDULE OF FINDINGS AND RESPONSES (continued)**

Significant Deficiencies

2019-02 Account receivable aging

Observation: Several negative balances in the account receivable aging have been noted. These amounts represent the remaining credit balances available for refund to clients. In addition we noted that 26% of the receivable are accounts that have become inactive over the years for which the Town has no updated information (address, or phone number). Therefore all these inactive accounts are not collectible.

Recommendation: The Town should have a policy in place to handle outstanding debt or credit balances for inactive accounts by making necessary refund to clients when the accounts are close.

Management's response: According to management various attempts to collect the funds have been made by the Finance Department. The Town has drafted 2 separate policies in Fiscal 2020 and has written off the inactive balances prior to year end. The Town plans to issue refunds for the credit balances in Q1 of FY 2021.

2019-03 Minutes:

Observation: According to the Florida Statutes requirements municipalities need to promptly record minutes of meetings. During our Audit we noted that the Minutes were not transcribed on a timely basis and the majority of the documents provided were drafts and not the final approved (or official) reports.

Recommendation: We recommend that the Town implement the necessary procedures to comply with the Florida Statutes. The Minutes should be recorded promptly and clearly titled as official Minutes.

Management's response: The Town terminated the Town Clerk in October 2019 and subsequently has hired a new employee to ensure that minutes are being drafted and presented to the commission for their approval and signing on a timely manner.

**REPORT TO MANAGEMENT
SCHEDULE OF FINDINGS AND RESPONSES (continued)**

Other Findings

2019-04 Outstanding Checks

Observation: During the audit we noted some outstanding checks in the bank reconciliation and the Town doesn't have any procedures in place to control those outstanding checks.

Recommendation: Checks that are never cashed may constitute unclaimed property. Therefore the Town should ensure that outstanding checks are followed or tracked; after a period of time be classified as "Unclaimed Checks Account" and return to the state over a period of time.

Management's response: The Town will institute a policy for outstanding checks, when to classify the funds as unclaimed and monitor the length of time the checks appear on the outstanding checks report. Once it is determined as unclaimed property the funds will be sent to the State.

2019-05 Budget

Observation: Budgetary appropriations are legally controlled at the department level. We noted that the amended budget for the fiscal year ended September 2019, was approved in January 2020. Actual expenditures exceeded appropriations in one department for the fiscal year ended September 30, 2019.

Recommendation: The Town should amend the budget during the fiscal year or within statutory guidelines to ensure that all expenditures are properly budgeted.

Management's response: The Town went through various transitions during the fiscal year. However, Management will continue to perform budget amendments within 90 day time period.

2019-06 Reconciliation of separate accounting systems

Observation: The Town billing and receipt software is separate from its accounting software. During the Audit we noted that the Town does not reconcile customer balances in its billing and receipt system with the revenue, receivable and deposit account balances in the accounting system.

Recommendation: The Town should reconcile the balances in the billing and receipt system with the revenue, receivable and deposit account balances in the accounting system on a monthly basis.

**REPORT TO MANAGEMENT
SCHEDULE OF FINDINGS AND RESPONSES (continued)**

Management's response: The Town has developed a process to ensure that a reconciliation is performed on a monthly basis. The third party software the Town is currently using does not have the capability to produce an account receivable aging, therefore, customer balances are being tracked manually.

II. PRIOR YEAR FINDINGS

2018-01, Irregular payroll transactions:

Current Status: See finding no. 2019-01 above. Finding combined with other payroll issues as a material weakness.

2018-02, 2017-04, 2016-06 Internal Controls over disbursements:

Current Status: Finding has been resolved.

2018-03, 2017-02, 2016-04 Internal Controls over Payroll and Payroll Documentation:

Current Status: See finding no. 2019-01 above

2018-04, 2017-01, 2016-02 Internal Controls over Procurement and Procurement Documentation:

Current Status: Finding has been resolved.

2018-05, 2017-03, 2016-05 Budget:

Current Status: See finding no. 2019-05 above.

2018-06, 2017-05, 2016-08 Reconciliation of balances in billing and receipt software with balances in accounting software:

Current Status: See finding no. 2019-06 above.

2018-07, 2017-08 Cafeteria Plan

Current Status: Finding has been resolved.

2018-08 Qualified Public Depository (QPD) Annual Report:

Current Status: Finding has been resolved.

REPORT TO MANAGEMENT
SCHEDULE OF FINDINGS AND RESPONSES (continued)

2018-09, Bank Account Reconciliation:

Current Status: Finding has been resolved.

2018-10 Reconciliation of Utility System Receivables:

Current Status: Finding has been resolved.

2018-11, Internal Controls and documentation over Permits:

Current Status: Finding has been resolved.

2018-12 Annual Financial Interest Disclosure Forms

Current Status: Finding has been resolved.

2018-13, 2017-07 Minutes:

Current Status: See finding no. 2019-03 above.