

Annual Financial Report of the
Town of Pembroke Park, Florida

For The Fiscal Year Ended

September 30, 2018

Prepared by the
Finance Department

Town of Pembroke Park, Florida
Annual Financial Report
For The Year Ended September 30, 2018

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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 financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of the Town of Pembroke Park, Florida ("Town") as of and for the fiscal year ended September 30, 2018, 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 opinions 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 to provide a basis for our audit opinions.

Basis for Qualified Opinion

Due to a lack of proper internal controls and oversight over certain payroll matters, we were unable to obtain sufficient appropriate audit evidence related to overtime payments and accrued vacation cash out amounts paid to employees. These items represent potential illegal acts and or fraud and are as follows:

1. Overtime pay for Hurricane Matthew paid to certain employees one year after the hurricane occurred. In addition, overtime payments for Hurricane Irma were not paid in the period incurred. Amounts paid for overtime were not in accordance with the Town's personnel policies and amounts paid appear to be excessive.
2. Twice during the fiscal year employees were allowed to cash out accumulated accrued vacation hours. This practice is not in accordance with Town personnel policies.

Commission oversight related to these issues were lacking, resulting in our inability to obtain sufficient appropriate audit evidence. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Opinions

In our opinion, except for the possible effect of the matter referred to above in the Basis for Qualified Opinion paragraph 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 the fiduciary funds information of the Town as of September 30, 2018, 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 information, pension schedules, and other post-employment benefits schedules 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 December 16, 2019, 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, 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 the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

December 16, 2019

Town of Pembroke Park, Florida
Management's Discussion and Analysis
September 30, 2018

This section of the Annual Financial Report, entitled Management's Discussion and Analysis (MDA), is presented as a method to assist the reader in better understanding the financial position of the Town of Pembroke Park, Florida (the "Town") as of the date of the report in accordance with the Government Accounting Standards Board. Items noted in this section are:

- Financial Performance - how the Town arrived at its current position by identifying key changes to the components of the financial position, examples include special grants, special assessments, disasters, etc.
- Operational performance - how the Town performed during the past fiscal year when comparing planned results to actual results. Are trends developing that may alter forecasts?

Management's Discussion and Analysis should be read in conjunction with Town's financial statements.

Financial Highlights

The following are the highlights of financial activity for the fiscal year ended September 30, 2018:

- The net position amount of \$18,133,324 is the result of total assets and deferred outflows of resources less liabilities and deferred inflows of resources. Governmental net position was \$3,764,242 and business-type net position was \$14,369,082.
- The Town's revenues for governmental activities were \$11,366,248. Expenses for governmental activities were \$11,420,782.
- At the beginning of the fiscal year, the Town anticipated to use \$ 0 of reserves to fund fiscal year's 2017/2018 expenditures. At the close of the fiscal year, the Town's governmental fund reported an ending fund balance of \$2,706,289, an increase of \$164,698 from the prior year.
- Revenues for wastewater and drainage service in the Town's enterprise funds increased by \$245,555 during fiscal year 2017/2018. The increase was due to an increase in consumption for both services.
- Total revenues for business-type activities increased by \$465,735 over the prior year. The overall increase in revenues is due to an increase in the inflow of capital grants of \$210,794 combined with an increase in billing rates for fiscal year 2017/2018.

Town of Pembroke Park, Florida
Management's Discussion and Analysis
September 30, 2018

Town Highlights

During fiscal year ended September 30, 2018, the Town continued working on several upgrades of the storm water drainage systems.

Overview of the Financial Statements

This discussion and analysis 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.

Government-wide statements: The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The statement of net position presents information on all 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 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 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 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 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.

The fiduciary fund statements can be found in the fund financial statements section of this report and a more detailed description of the Town's pension trust fund may be found in the notes to financial statements.

**Town of Pembroke Park, Florida
Management's Discussion and Analysis
September 30, 2018**

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 combined net position totaled \$18,133,324 as of September 30, 2018. Governmental activities net position totaled \$3,764,242 and business-type activities net position totaled \$14,369,082. 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, 2018, the Town's unrestricted net position increased by \$1,660,435, which resulted from a combination of the governmental activities unrestricted net position increase of \$148,017 and the business-type activities net position increase of \$1,512,418. The combined unrestricted net position amounted to \$9,132,990 as of September 30, 2018. 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. Additionally the Town completed stormwater system improvements for which it received governmental grants. The cost of these improvements will be recognized over their useful life.

The following table presents condensed Statements of Net Position:

	NET POSITION					
	SEPTEMBER 30,					
	Governmental activities		Business-type activities		Total	
	2017		2017		2017	
	(restated)		(restated)		(restated)	
	2018	2018	2018	2018	2018	
Current and other assets	\$ 4,297,249	\$ 3,218,541	\$ 10,308,693	\$ 8,641,799	\$ 14,605,942	\$ 11,860,340
Capital assets, net of depreciation	3,465,190	3,658,869	6,766,331	7,563,091	10,231,521	11,221,960
Total assets	<u>7,762,439</u>	<u>6,877,410</u>	<u>17,075,024</u>	<u>16,204,890</u>	<u>24,837,463</u>	<u>23,082,300</u>
Deferred outflow s of resources	1,435,009	1,748,337	213,700	235,883	1,648,709	1,984,220
Current liabilities	1,017,809	676,950	170,701	160,087	1,188,510	837,037
Long-term liabilities (restated)	3,514,896	3,781,884	2,681,395	2,783,834	6,196,291	6,565,718
Total liabilities	<u>4,532,705</u>	<u>4,458,834</u>	<u>2,852,096</u>	<u>2,943,921</u>	<u>7,384,801</u>	<u>7,402,755</u>
Deferred inflow s of resources	900,501	348,137	67,546	34,250	968,047	382,387
Net position						
Net investment in capital assets	3,465,190	3,658,869	4,642,331	5,327,134	8,107,521	8,986,003
Restricted	47,767	56,639	845,046	766,181	892,813	822,820
Unrestricted	251,285	103,268	8,881,705	7,369,287	9,132,990	7,472,555
Total net position	<u>\$ 3,764,242</u>	<u>\$ 3,818,776</u>	<u>\$ 14,369,082</u>	<u>\$13,462,602</u>	<u>\$ 18,133,324</u>	<u>\$ 17,281,378</u>

Town of Pembroke Park, Florida
Management's Discussion and Analysis
September 30, 2018

General discussion on revenues: Several areas can be identified which directly impact this current reporting period and the next fiscal year's revenues. 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 revenue is the major revenue source in the General Fund, it accounts for approximately 49% of total fund revenues in fiscal year 2017/2018. The millage rate is a rate charged per thousand dollars of assessed property value net of exemptions.

The planning and decisions taken by the Town are always weighted against the financial burden that will be placed on both current and future residents of the Town, as well as potential economic and environmental impacts. Through careful planning, Pembroke Park has kept its tax millage rate unchanged for the past sixteen fiscal years at 8.5000 mills. One mill of tax equals one dollar for each one thousand dollars of assessed property value as determined by the Broward County Property Appraiser.

The Town's financial condition generally is affected by economic conditions. During prosperous economic periods, property values generally increase which correspondingly increase property tax revenue. The Town's taxable value slightly increased during fiscal year 2017/2018.

Revenues for the governmental fund remain steady with small positive and negative variances when compared to the previous fiscal year.

The Town experienced increases in revenues of \$1,167,351, which was due mainly to an increase in property taxes of \$269,387 an increase in charges for services of \$638,473 an increase in capital grants and contributions revenue of \$210,794 for the business type activities, offset by a decrease in miscellaneous revenue of \$73,214.

General discussion on expenses: Expenses for the governmental and business type activities were \$11,420,782 and \$3,770,679 respectively. One of the Town's major expenses is to Broward County for police and fire rescue which accounts for \$5,881,548 or 51% of the total expenses for governmental activities.

The number of employees working for the Town has remained stable over the years. The town experienced a total decrease in expenses of \$258,333. This was mainly due to a decrease in general government expenses of \$317,133, public safety of \$136,650, and offset by an increase in culture and recreation of \$144,641. Program expenses for business type activities funds decreased by \$ 18,029. Other expenses fluctuated in either direction creating the net increase on expenses for both funds.

Town of Pembroke Park, Florida
Management's Discussion and Analysis
September 30, 2018

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	
	2017		2017		2017	
	(restated)		(restated)		(restated)	
Revenues:						
Program revenues:						
Charges for services	\$ 1,978,898	\$ 1,585,980	\$ 4,372,895	\$ 4,127,340	\$ 6,351,793	\$ 5,713,320
Operating grants and contributions	23,075	239	-	-	23,075	239
Capital grants and contributions	-	-	261,584	50,790	261,584	50,790
General revenues:						
Property taxes	5,549,717	5,280,330	-	-	5,549,717	5,280,330
Other taxes and fees	2,371,509	2,317,428	-	-	2,371,509	2,317,428
Intergovernmental revenue	635,353	610,722	-	-	635,353	610,722
Unrestricted investment earnings	32,739	22,145	42,680	32,911	75,419	55,056
Miscellaneous	774,957	847,788	-	383	774,957	848,171
Total revenues	11,366,248	10,664,632	4,677,159	4,211,424	16,043,407	14,876,056
Expenses:						
Governmental activities:						
General government	3,305,014	3,622,147	-	-	3,305,014	3,622,147
Public safety	5,901,793	6,038,443	-	-	5,901,793	6,038,443
Building	513,576	493,194	-	-	513,576	493,194
Physical environment	367,917	344,895	-	-	367,917	344,895
Public works	572,979	547,545	-	-	572,979	547,545
Culture and recreation	759,503	614,862	-	-	759,503	614,862
Business - type activities:						
Sewer utilities	-	-	2,745,118	2,784,783	2,745,118	2,784,783
Stormwater drainage district	-	-	1,025,561	1,003,925	1,025,561	1,003,925
Total expenses	11,420,782	11,661,086	3,770,679	3,788,708	15,191,461	15,449,794
Change in net position	(54,534)	(996,454)	906,480	422,716	851,946	(573,738)
Net position - beginning (restated)	3,818,776	4,815,230	13,462,602	13,039,886	17,281,378	17,855,116
Net position - ending	\$ 3,764,242	\$ 3,818,776	\$ 14,369,082	\$13,462,602	\$ 18,133,324	\$ 17,281,378

Analysis of the Government's Funds

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

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Town of Pembroke Park, Florida
Management's Discussion and Analysis
September 30, 2018

The General Fund is the chief operating fund of the Town. At the end of the fiscal year ended September 30, 2018, unassigned fund balance of the General Fund was \$ 2,655,355. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. The unassigned fund balance represents approximately 24% of the expenditures in the General Fund.

The General Fund's fund balance increased from \$ 2,541,591 to \$ 2,706,289 during the current fiscal year, an increase of \$ 164,698. The key factors in this change are included in the section entitled, "General Fund Budgetary Highlights."

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the Enterprise Funds amounted to \$14,369,082 at the end of the fiscal year ended September 30, 2018, an increase of \$ 906,480 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 \$ 500 on a monthly basis. The Commission uses this procedure to closely monitor expenditures and commitments made by the Town.

The Town collected a total of \$186,751 less than the final budget for Ad Valorem Taxes. Other Miscellaneous revenue decreased by \$142,324 from the final budget amount. Licenses and Permits revenue increased by \$238,031. Grant revenues decreased by \$280,666 from the final budget amount and charges for services was \$69,714 more than the final budget. Actual general fund expenditures for the fiscal year ended September 30, 2018 were less than final appropriations by \$251,403.

Capital Assets and Debt Administration

The Town had \$ 10,231,521 net of depreciation invested in capital assets on September 30, 2018. Please refer to the schedules in the Notes to the Financial Statements that summarizes capital asset activity over the past fiscal year.

The Town continues its capital outlay efforts by upgrading the water and wastewater lines. The amount spent on these infrastructure improvements remains fairly consistent from year to year. During fiscal year 2017/2018, the Town continued upgrades on the sewer and stormwater systems.

Debt: The Town had debt totaling \$ 6,196,291 at September 30, 2018. This amount includes compensated absences, net pension liability, OPEB obligation, Notes Payable, and Revenue Bond Payable. Total debt outstanding at the end of the prior fiscal year was \$ 6,565,718. For more detailed information, please refer to the notes to the financial statements.

**Town of Pembroke Park, Florida
Management's Discussion and Analysis
September 30, 2018**

Economic Factors and Next Year's Budgets and Rates

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

Over the past year and continuing for the foreseeable future, there has been growth in the local economy. A major 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.

Requests for Information

This entire report has been prepared by the finance department of the Town of Pembroke Park, Florida with the assistance of the Town's external auditors. Every effort has been made to make this report understandable to the reader. 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 (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

Pembroke Park, Florida
Statement of Net Position
September 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ -	\$ 3,040,483	\$ 3,040,483
Investments	3,507,695	5,397,740	8,905,435
Accounts receivable, net	465,958	1,017,555	1,483,513
Intergovernmental receivables	64,953	-	64,953
Prepays	3,167	-	3,167
Restricted cash	47,767	852,915	900,682
Net pension asset-Commissioner pension	207,709	-	207,709
Capital assets:			
Nondepreciable	2,167,660	34,347	2,202,007
Depreciable, net	1,297,530	6,731,984	8,029,514
Total assets	<u>7,762,439</u>	<u>17,075,024</u>	<u>24,837,463</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>1,435,009</u>	<u>213,700</u>	<u>1,648,709</u>
LIABILITIES			
Accounts payable	614,455	134,848	749,303
Accrued liabilities	62,979	27,985	90,964
Accrued interest payable	-	7,868	7,868
Unearned revenues	308,589	-	308,589
Customer deposits	31,786	-	31,786
Noncurrent liabilities:			
Due in less than one year:			
Note payable	-	36,000	36,000
Compensated absences	365,442	-	365,442
Due in more than one year:			
Note payable	-	2,088,000	2,088,000
Compensated absences	77,337	46,134	123,471
Net OPEB liability	74,351	20,045	94,396
Net pension liability	2,997,766	491,216	3,488,982
Total liabilities	<u>4,532,705</u>	<u>2,852,096</u>	<u>7,384,801</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>900,501</u>	<u>67,546</u>	<u>968,047</u>
NET POSITION			
Net investment in capital assets	3,465,190	4,642,331	8,107,521
Restricted for:			
Law enforcement	47,767	-	47,767
Debt service	-	129,209	129,209
Capital projects	-	715,837	715,837
Unrestricted	251,285	8,881,705	9,132,990
Total net position	<u>\$ 3,764,242</u>	<u>\$ 14,369,082</u>	<u>\$ 18,133,324</u>

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

Pembroke Park, Florida
Statement of Activities
September 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,305,014	\$ 672,641	\$ -	\$ -	\$ (2,632,373)	\$ -	\$ (2,632,373)
Public safety	5,901,793	478,922	80	-	(5,422,791)	-	(5,422,791)
Building	513,576	824,835	-	-	311,259	-	311,259
Physical environment	367,917	-	22,995	-	(344,922)	-	(344,922)
Public works	572,979	-	-	-	(572,979)	-	(572,979)
Culture and recreation	759,503	2,500	-	-	(757,003)	-	(757,003)
Total governmental activities	11,420,782	1,978,898	23,075	-	(9,418,809)	-	(9,418,809)
Business-type activities:							
Sewer utilities	2,745,118	2,979,496	-	151,838	-	386,216	386,216
Stormwater drainage district	1,025,561	1,393,399	-	109,746	-	477,584	477,584
Total business-type activities	3,770,679	4,372,895	-	261,584	-	863,800	863,800
Total	15,191,461	6,351,793	23,075	261,584	(9,418,809)	863,800	(8,555,009)
General revenues:							
Property taxes					5,549,717	-	5,549,717
Local option gas tax					115,463	-	115,463
Utility service taxes					1,357,071	-	1,357,071
Franchise taxes					898,975	-	898,975
Intergovernmental revenue					635,353	-	635,353
Unrestricted investment earnings					32,739	42,680	75,419
Miscellaneous					774,957	-	774,957
Total general revenues					9,364,275	42,680	9,406,955
Change in net position					(54,534)	906,480	851,946
Net position - beginning as previously stated					3,869,244	13,477,592	17,346,836
Adjustment for OPEB liability					(50,468)	(14,990)	(65,458)
Net position - beginning (as restated)					3,818,776	13,462,602	17,281,378
Net position - ending					\$ 3,764,242	\$ 14,369,082	\$ 18,133,324

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

Town of Pembroke Park, Florida
Balance Sheet - Governmental Fund
September 30, 2018

	<u>Major Fund</u> <u>General Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS		
Restricted cash	\$ 47,767	\$ 47,767
Equity in pooled investments	3,507,695	3,507,695
Accounts receivable, net	465,958	465,958
Intergovernmental receivable	64,953	64,953
Prepays	3,167	3,167
Total assets	<u>\$ 4,089,540</u>	<u>\$ 4,089,540</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 614,455	\$ 614,455
Accrued liabilities	62,979	62,979
Accrued compensated absences	365,442	365,442
Unearned revenue	308,589	308,589
Customer deposits	31,786	31,786
Total liabilities	<u>1,383,251</u>	<u>1,383,251</u>
Fund balance:		
Nonspendable:		
Prepaid items	3,167	3,167
Restricted:		
Law enforcement	47,767	47,767
Unassigned	2,655,355	2,655,355
Total fund balance	<u>2,706,289</u>	<u>2,706,289</u>
Total liabilities and fund balances	<u>\$ 4,089,540</u>	<u>\$ 4,089,540</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, 2018

Fund balance - governmental funds		\$ 2,706,289
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	7,730,868	
Accumulated depreciation	<u>(4,265,678)</u>	3,465,190
Deferred outflows of resources related to pensions are recorded in the statement of net position.		1,435,009
Deferred inflows of resources related to pensions are recorded in the statement of net position.		(900,501)
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.		207,709
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		(74,351)
Net pension liability		(2,997,766)
Compensated absences		<u>(77,337)</u>
Net position of governmental activities		<u>\$ 3,764,242</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 Fiscal Year Ended September 30, 2018

	Major Fund	Total
	General Fund	Governmental Funds
REVENUES		
Property taxes	\$ 5,549,717	\$ 5,549,717
Local option gas tax	115,463	115,463
Utility service taxes	1,357,071	1,357,071
Licenses and permits	1,510,187	1,510,187
Franchise taxes	898,975	898,975
Intergovernmental revenues	635,353	635,353
Charges for services	431,206	431,206
Fines and forfeitures	37,585	37,585
Grants revenues	22,995	22,995
Interest	32,739	32,739
Miscellaneous	774,957	774,957
Total revenues	<u>11,366,248</u>	<u>11,366,248</u>
EXPENDITURES		
Current:		
General government	3,381,788	3,381,788
Public safety	5,890,500	5,890,500
Building	461,827	461,827
Physical environment	306,177	306,177
Public works	433,528	433,528
Culture and recreation	673,151	673,151
Capital outlay	54,579	54,579
Total expenditures	<u>11,201,550</u>	<u>11,201,550</u>
Excess (deficiency) of revenues over (under) expenditures	164,698	164,698
Fund balance - beginning	<u>2,541,591</u>	<u>2,541,591</u>
Fund balance - ending	<u>\$ 2,706,289</u>	<u>\$ 2,706,289</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 Fiscal Year Ended September 30, 2018

Net change in fund balance - total governmental funds	\$ 164,698
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.	50,808
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(244,487)
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	(457,723)
Change in compensated absence	432,995
Change in other post employment benefit obligation	(825)
Change in net position of governmental activities	<u>\$ (54,534)</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, 2018

	Major Funds		
	Sewer Utility	Stormwater Drainage	Total
ASSETS			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 1,356,182	\$ 1,684,301	\$ 3,040,483
Equity in pooled investments	2,853,243	2,544,497	5,397,740
Accounts receivable, net	713,132	304,423	1,017,555
Restricted cash	852,915	-	852,915
Total current assets	<u>5,775,472</u>	<u>4,533,221</u>	<u>10,308,693</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	147,621	-	147,621
Less accumulated depreciation	(4,497,533)	(6,678,187)	(11,175,720)
Total capital assets, net	<u>2,770,811</u>	<u>3,995,520</u>	<u>6,766,331</u>
Total noncurrent assets	<u>2,770,811</u>	<u>3,995,520</u>	<u>6,766,331</u>
Total assets	<u>8,546,283</u>	<u>8,528,741</u>	<u>17,075,024</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>173,161</u>	<u>40,539</u>	<u>213,700</u>
LIABILITIES			
Current liabilities:			
Accounts payable	122,772	12,076	134,848
Accrued liabilities	25,591	2,394	27,985
Accrued interest payable	7,868	-	7,868
Current portion of loan payable	36,000	-	36,000
Total current liabilities	<u>192,231</u>	<u>14,470</u>	<u>206,701</u>
Noncurrent liabilities:			
Notes and loans payable	2,088,000	-	2,088,000
Compensated absences	42,025	4,109	46,134
OPEB liability	16,679	3,366	20,045
Net pension liability	401,971	89,245	491,216
Total noncurrent liabilities	<u>2,548,675</u>	<u>96,720</u>	<u>2,645,395</u>
Total liabilities	<u>2,740,906</u>	<u>111,190</u>	<u>2,852,096</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>55,619</u>	<u>11,927</u>	<u>67,546</u>
NET POSITION			
Net investment in capital assets	646,811	3,995,520	4,642,331
Restricted for debt service	129,209	-	129,209
Restricted for capital projects	715,837	-	715,837
Unrestricted	4,431,062	4,450,643	8,881,705
Total net position	<u>\$ 5,922,919</u>	<u>\$ 8,446,163</u>	<u>\$ 14,369,082</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 Fiscal Year Ended September 30, 2018

	Major Funds		
	Sewer Utility	Stormwater Drainage	Total
OPERATING REVENUES			
Charges for services	\$ 2,979,496	\$ 1,393,399	\$ 4,372,895
Total operating revenues	<u>2,979,496</u>	<u>1,393,399</u>	<u>4,372,895</u>
OPERATING EXPENSES			
Salaries and benefits	656,761	145,785	802,546
Contractual services	1,036,553	-	1,036,553
Repairs and maintenance	62,253	45,777	108,030
Miscellaneous expense	31,940	25,915	57,855
Administrative services	410,000	196,000	606,000
Insurance premiums	116,747	58,715	175,462
Utilities	60,519	24,713	85,232
Depreciation and amortization	275,928	528,248	804,176
Total operating expense	<u>2,650,701</u>	<u>1,025,153</u>	<u>3,675,854</u>
Operating income	<u>328,795</u>	<u>368,246</u>	<u>697,041</u>
NON OPERATING REVENUES (EXPENSES)			
Interest revenue	23,301	19,379	42,680
Interest expense	(94,417)	(408)	(94,825)
Impact Fee	151,838	109,746	261,584
Total non operating revenue (expenses)	<u>80,722</u>	<u>128,717</u>	<u>209,439</u>
Change in net position	409,517	496,963	906,480
Net position - beginning (previous stated)	5,526,363	7,951,229	13,477,592
Adjustment - OPEB liability	(12,961)	(2,029)	(14,990)
Net position - beginning (as restated)	<u>5,513,402</u>	<u>7,949,200</u>	<u>13,462,602</u>
Net position - ending	<u>\$ 5,922,919</u>	<u>\$ 8,446,163</u>	<u>\$ 14,369,082</u>

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 Fiscal Year Ended September 30, 2018

	Major Funds		
	Sewer Utility	Stormwater Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,657,684	\$ 1,284,644	\$ 3,942,328
Payments to employees	(599,200)	(138,349)	(737,549)
Payments to suppliers of goods and services	(1,712,439)	(343,669)	(2,056,108)
Net cash provided (used) by operating activities	<u>346,045</u>	<u>802,626</u>	<u>1,148,671</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of capital assets	(3,337)	(4,079)	(7,416)
Cash received from impact fees and other	151,838	109,746	261,584
Principal paid	(34,000)	(77,957)	(111,957)
Interest paid	(94,537)	(408)	(94,945)
Net cash provided (used) by capital and related financing activities	<u>19,964</u>	<u>27,302</u>	<u>47,266</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	23,301	19,379	42,680
Sales / (purchase) of investments	386,699	176,621	563,320
Net cash provided (used) by investing activities	<u>410,000</u>	<u>196,000</u>	<u>606,000</u>
Net increase (decrease) in cash and cash equivalents	776,009	1,025,928	1,801,937
Cash and cash equivalents - October 1	<u>1,433,088</u>	<u>658,373</u>	<u>2,091,461</u>
Cash and cash equivalents - September 30	<u>\$ 2,209,097</u>	<u>\$ 1,684,301</u>	<u>\$ 3,893,398</u>

(Continued)

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

Town of Pembroke Park, Florida
Statement of Cash Flows -
Proprietary Funds (Continued)
For the Fiscal Year Ended September 30, 2018

	Major Funds		
	Sewer Utility	Stormwater Drainage	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 328,795	\$ 368,246	\$ 697,041
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	275,928	528,248	804,176
Pension expense	67,195	10,811	78,006
OPEB Expense	212	33	245
(Increase) decrease in accounts receivable	(321,812)	(108,755)	(430,567)
(Increase) decrease in prepaids	1,870	420	2,290
Increase (decrease) in accounts payable	(38)	7,750	7,712
Increase (decrease) in accrued liabilities	3,741	(719)	3,022
Increase (decrease) in compensated absences	(9,846)	(3,408)	(13,254)
Total adjustments	17,250	434,380	451,630
Net cash provided (used) by operating activities	<u>\$ 346,045</u>	<u>\$ 802,626</u>	<u>\$ 1,148,671</u>

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, 2018

	Commissioner Pension Trust	
	Fund	Total
ASSETS		
Investments	\$ 2,257,565	\$ 2,257,565
Life insurance and variable annuity contracts	825,828	825,828
Total assets	3,083,393	3,083,393
LIABILITIES		
Total liabilities	\$ -	\$ -
NET POSITION		
Held in trust for pension benefits	3,083,393	3,083,393
Total net position	\$ 3,083,393	\$ 3,083,393

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 Fiscal Year Ended September 30, 2018

	Commissioner Pension Trust	
	Fund	Total
ADDITIONS		
Employer contributions	\$ 370,136	\$ 370,136
Investment income, net	246,125	246,125
Total additions	<u>616,261</u>	<u>616,261</u>
DEDUCTIONS		
Benefit payments	56,882	56,882
Administrative expenses	4,405	4,405
Total liabilities	<u>61,287</u>	<u>61,287</u>
Change in net position	554,974	554,974
Net position held in trust for pension benefits - beginning	<u>2,528,419</u>	<u>2,528,419</u>
Net position held in trust for pension benefits - ending	<u>\$ 3,083,393</u>	<u>\$ 3,083,393</u>

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

Town of Pembroke Park, Florida
Notes to the Financial Statements
September 30, 2018

Note 1 - Summary of Significant Accounting Policies

The summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. 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:

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 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.

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 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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."

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

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.

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

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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.

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.

Accounts Receivable: Accounts receivable and allowance for doubtful accounts at September 30, 2018 were as follows:

	General	Sewer	Storm water Drainage	Total
State of Florida	\$ 57,016	\$ -	\$ -	\$ 57,016
Utility taxes	67,658	-	-	67,658
Franchise fee	198,306	-	-	198,306
Brow ard County	69,140	419,748	190,658	679,546
Other receivables	54,218	-	-	54,218
Customer accounts receivable	209,573	341,252	136,684	687,509
Gross accounts receivable	655,911	761,000	327,342	1,744,253
Less: Allow ance for uncollectible accounts	(125,000)	(47,868)	(22,919)	(195,787)
Accounts receivable, net	<u>\$ 530,911</u>	<u>\$ 713,132</u>	<u>\$ 304,423</u>	<u>\$ 1,548,466</u>

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.

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Equity classifications:

Government-wide statements

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

New Accounting Standards Adopted:

During fiscal year 2018, the Town adopted four new accounting standards as follows:

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*

This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The implementation of GASB 75 had the following effect on beginning net position in fiscal year 2018:

	Sewer Utilities Fund	Stormwater Drainage Fund
Net position, previously stated	\$ 5,526,363	\$ 7,951,229
Adjustment for net OPEB liability	(12,961)	(2,029)
Net position, restated	<u>\$ 5,513,402</u>	<u>\$ 7,949,200</u>

	Governmental Activities	Business-type activities
Net position, previously stated	\$ 3,869,244	\$ 13,477,592
Adjustment for net OPEB liability	(50,468)	(14,990)
Net position, restated	<u>\$ 3,818,776</u>	<u>\$ 13,462,602</u>

Note 2 - Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting: The Town adopts annual operating budgets for the General Fund and the Enterprise Funds, which are prepared 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. 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.

Level of Control: 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.

As of September 30, 2018, 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)	\$ -	\$ 141,495	\$ 141,495	NA	S&P AAAm	Weighted average of the fund portfolio: 33 days
FL Municipal Investment Trust 1-3 Year High Quality Bond	3,366,200	-	3,366,200	2	Not Available	Not Available
	<u>\$ 3,366,200</u>	<u>\$ 141,495</u>	<u>\$ 3,507,695</u>			
Business-Type Activities						
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	\$ -	\$ 214,786	\$ 214,786	NA	S&P AAAm	Weighted average of the fund portfolio: 33 days
FL Municipal Investment Trust 1-3 Year High Quality Bond	5,182,954	-	5,182,954	2	Not Available	Not Available
	<u>\$ 5,182,954</u>	<u>\$ 214,786</u>	<u>\$ 5,397,740</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. The weighted average maturities by investment type are included in the preceding summary of investments.

Note 3 – Deposits and Investments (Continued)

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.

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 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, 2018, 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.

Note 3 – Deposits and Investments (Continued)

Investments – Town Commissioner Pension Plan: As of September 30, 2018, 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	\$ 704,901	2	AAA 21%, A 31%, BBB 29%, BB 10%, B 1%, Not Rated 8%	4.65 years
Janus Opportunistic Growth	556,790	2	N/A	N/A
Columbia Dividend Opportunity	464,768	2	N/A	N/A
Janus Triton N	187,478	2	N/A	N/A
DFA US Targeted Value I	169,630	2	N/A	N/A
Invesco International Growth R5	173,998	2	N/A	N/A
	<u>\$ 2,257,565</u>			
	<u>Value</u>			
Life insurance and variable annuity contracts	<u>\$ 825,828</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.

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, 2018 was 8.5000 per \$1,000.

Note 5 – Capital Assets

Capital asset activity governmental activities for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 2,120,064	\$ -	\$ -	\$ 2,120,064
Construction in progress	28,396	19,200	-	47,596
Total capital assets, not being depreciated	2,148,460	19,200	-	2,167,660
Capital assets, being depreciated				
Buildings	984,935	-	-	984,935
Machinery and equipment	3,195,003	31,608	-	3,226,611
Improvements other than buildings	1,351,662	-	-	1,351,662
Total capital assets, being depreciated	5,531,600	31,608	-	5,563,208
Less accumulated depreciation for:				
Buildings	925,838	19,699	-	945,537
Machinery and equipment	1,922,253	108,812	-	2,031,065
Improvements other than buildings	1,173,100	115,976	-	1,289,076
Total accumulated depreciation	4,021,191	244,487	-	4,265,678
Total capital assets, being depreciated, net	1,510,409	(212,879)	-	1,297,530
Governmental activities capital assets, net	\$ 3,658,869	\$ (193,679)	\$ -	\$ 3,465,190

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

	Governmental Activities
General government	\$ 42,397
Public safety	11,293
Building	11,142
Physical Environment	17,799
Public works	115,976
Culture and recreation	45,880
	<u>\$ 244,487</u>

Capital asset activity business-type activities for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-type Activities</u>				
Capital assets, not being depreciated				
Construction in progress	\$ 30,268	\$ 4,079	\$ -	\$ 34,347
Total capital assets, not being depreciated	30,268	4,079	-	34,347
Capital assets, being depreciated				
Infrastructure	17,760,083	-	-	17,760,083
Machinery and equipment	144,284	3,337	-	147,621
Total capital assets, being depreciated	17,904,367	3,337	-	17,907,704
Less accumulated depreciation for:				
Infrastructure	10,276,257	787,167	-	11,063,424
Machinery and equipment	95,287	17,009	-	112,296
Total accumulated depreciation	10,371,544	804,176	-	11,175,720
Total capital assets, being depreciated, net	7,532,823	(800,839)	-	6,731,984
Business-type activities capital assets, net	\$ 7,563,091	\$ (796,760)	\$ -	\$ 6,766,331

Note 5 – Capital Assets (Continued)

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

	Business-
	type Activities
Sewer utility	\$ 272,452
Stormwater drainage district	525,837
	<u>\$ 798,289</u>

Note 6 – Long Term Debt

Debt: During the year ended September 30, 2018, 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	\$ 3,198,026	\$ 77,322	\$ 277,582	\$ 2,997,766	\$ -
Net OPEB Liability (restated)	73,526	825	-	74,351	-
Compensated absences	510,332	-	432,995	77,337	-
	<u>\$ 3,781,884</u>	<u>\$ 78,147</u>	<u>\$ 710,577</u>	<u>\$ 3,149,454</u>	<u>\$ -</u>
<u>Business-type activities</u>					
Note payable	\$ 77,957	\$ -	\$ 77,957	\$ -	\$ -
Revenue Bond, Series 2009	2,158,000	-	34,000	2,124,000	36,000
Net pension liability	468,689	22,527	-	491,216	-
Net OPEB Liability (restated)	20,000	245	-	20,045	-
Compensated absences	59,388	-	13,254	46,134	-
	<u>\$ 2,784,034</u>	<u>\$ 22,772</u>	<u>\$ 125,211</u>	<u>\$ 2,681,395</u>	<u>\$ 36,000</u>

The Town previously obtained a term note in the amount of \$5,265,000 to refinance an existing note of \$2,765,000 and provide funds of approximately \$ 2,500,000 for stormwater drainage capital projects. The note bears interest at a fixed rate of 4.00%, payable monthly through December 2017. The term loan is secured by public service taxes and the net system revenues of the Stormwater Drainage Fund. The Town must fix, establish and maintain stormwater rates in an amount, that when added to public service taxes, generates pledged revenues sufficient to cover annual debt service by 1.50 times. For the year ended September 30, 2018, this covenant has been met. The note was paid off during the current fiscal year.

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, 2018, these covenants have been met. The Bond is secured by a pledge of revenues from the Town's revenues from the Sewer Utility Fund.

Note 6 – Long Term Debt (Continued)

The following is a schedule of approximate future debt service requirements for Business-type activities at September 30, 2018:

Year ending September 30,	Principal	Interest	Total
2019	\$ 36,000	\$ 89,994	\$ 125,994
2020	37,000	88,419	125,419
2021	39,000	86,800	125,800
2022	40,000	85,094	125,094
2023	42,000	83,344	125,344
2024-2028	240,000	387,406	627,406
2029-2033	298,000	330,050	628,050
2034-2038	370,000	258,781	628,781
2039-2043	456,000	170,669	626,669
2044-2048	566,000	61,731	627,731
Total	\$ 2,124,000	\$ 1,642,288	\$ 3,766,288

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.

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.

Note 7 – Florida Retirement System (Continued)

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 2018 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>		<u>Percent of Gross Salary</u>	
	<u>October 1, 2017 to June 30, 2018</u>		<u>July 1, 2018 to September 30, 2018</u>	
	<u>Employee</u>	<u>Employer (1)</u>	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.92	3.00	8.26
FRS, Senior Management	3.00	22.71	3.00	24.06
FRS, Elected Officers	3.00	45.5	3.00	48.7

(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 \$225,033 for the fiscal year ended September 30, 2018.

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

At September 30, 2018, the Town reported a liability of \$2,761,625 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town’s proportion of the net pension liability was based on a projection of the Town’s 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the Town’s proportion was .0092% percent, which was an increase of .0002% percentage points from its proportion measured as of June 30, 2017.

Note 7 – Florida Retirement System (Continued)

For the year ended September 30, 2018, the Town recognized pension expense of \$575,116 related to the FRS plan. At September 30, 2018, the Town reported deferred outflows of resources and deferred inflows 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	\$ 233,951	\$ (8,492)
Change of assumptions	902,365	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(213,369)
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	243,804	(54,547)
Town FRS contributions subsequent to the measurement date	56,127	-
Total	<u>\$ 1,436,247</u>	<u>\$ (276,408)</u>

\$56,127 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:

<u>Year Ending September 30:</u>	<u>Amount</u>
2019	\$ 455,796
2020	294,926
2021	44,185
2022	171,702
2023	118,468
Thereafter	18,635
Total	<u>\$ 1,103,712</u>

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	7.0%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables. The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Note 7 – Florida Retirement System (Continued)

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead 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			Standard Deviation
	Allocation (1)	Arithmetic Return	(Geometric) Return	
Cash	1.0%	2.9%	2.9%	1.8%
Fixed income	18.0%	4.4%	4.3%	4.0%
Global equity	54.0%	7.6%	6.3%	17.0%
Real estate (property)	11.0%	6.6%	6.0%	11.3%
Private equity	10.0%	10.7%	7.8%	26.5%
Strategic investments	6.0%	6.0%	5.7%	8.6%
Total	100.0%			
Assumed inflation - mean			2.6%	1.9%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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.

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 7.0 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 (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Tow n's proportionate share of net pension liability	\$ 5,040,081	\$ 2,761,625	\$ 869,232

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.

Note 7 – Florida Retirement System (Continued)

Benefits Provided

For the fiscal year ended September 30, 2018, 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, 2018, the HIS contribution for the period October 1, 2017 through September 30, 2018 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 \$31,666 for the fiscal year ended September 30, 2018.

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

At September 30, 2018, the Town reported a liability of \$727,357 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town’s proportionate share of the net pension liability was based on the Town’s 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the Town’s proportionate share was .0069% percent, which was a decrease of .0001% percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the Town recognized pension expense of \$63,413 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	\$ 11,136	\$ (1,236)
Change of assumptions	80,891	(76,902)
Net difference between projected and actual earnings on HIS plan investments	439	-
Changes in proportion and differences between Town HIS contributions and proportionate share of HIS contributions	50,675	(10,854)
Town HIS contributions subsequent to the measurement date	7,677	-
Total	<u>\$ 150,818</u>	<u>\$ (88,992)</u>

Note 7 – Florida Retirement System (Continued)

The deferred outflows of resources related to the HIS Plan, totaling \$7,677 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, 2018. 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:

Year Ending September 30:	Amount
2019	\$ 19,300
2020	19,263
2021	16,514
2022	8,104
2023	(4,054)
Thereafter	(4,978)
Total	\$ 54,149

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
Municipal bond rate	3.87%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 3.58%. 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 3.58%, 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 (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Town's proportionate share of net pension liability	\$ 828,417	\$ 727,357	\$ 643,117

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.

Note 8 – Town Commissioner Pension Plan

During the fiscal year ended September 30, 2008, 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, 2018, there are 3 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 \$370,136. At September 30, 2018, the Plan holds \$2,257,565 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, 2018
Measurement date	September 30, 2018
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Rate of return	6.50%
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% White Collar and 50% Blue Collar Annuitant using Scale BB for males.
Mortality	

Development of Single Discount Rate

Single Discount Rate	6.50%
Long-Term Expected Rate of Return	6.50%
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.

Note 8 – Town Commissioner Pension Plan (Continued)

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, 2018:

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

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, 2018, that met the criteria for disclosure.

Rate of return- For the year ended September 30, 2018, 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.

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, 2018 are summarized in the following table:

<u>Target Allocation</u>	<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return (Arithmetic)</u>
38%	U.S. Stocks	5.00%
10%	Global Stocks	2.50%
32%	Multi Sector Bonds	1.75%

Note 8 – Town Commissioner Pension Plan (Continued)

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, 2018 is as follows:

	Increases(Decreases)		
	Total Pension Liability	Plan Fiduciary Position	Net Pension Liability
	(a)	(b)	(a) (b)
Balances at September 30, 2017	\$ 2,806,001	\$ 2,528,419	\$ 277,582
Changes for the year:			
Service cost	316,660	-	316,660
Interest cost	180,541	-	180,541
Contributions employer	-	370,136	(370,136)
Differences between expected and actual experience	(370,636)	-	(370,636)
Net investment income	-	246,124	(246,124)
Benefit payments, including refunds of member contributions	(56,882)	(56,882)	-
Administrative expense	-	(4,404)	4,404
Net Changes	69,683	554,974	(485,291)
Balances at September 30, 2018	\$ 2,875,684	\$ 3,083,393	\$ (207,709)

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	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	\$ 84,043	\$ (207,709)	\$ (450,816)

Note 8 – Town Commissioner Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2018, the Town recognized pension expense of \$61,617 for this Plan. At September 30, 2018 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	\$ -	\$ (443,936)
Change of assumptions	-	-
Difference between projected and actual earnings on pension plan investments	61,644	(158,711)
Total	\$ 61,644	\$ (602,647)

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	\$ (265,603)
2020	(192,302)
2021	(37,806)
2022	(30,945)
2023	(14,347)
Thereafter	-
Total	\$ (541,003)

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.

Note 9 – Other Post-Employment Benefits (Continued)

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)
Actuarial assumptions:	
	3.64% per annum (based on the September 28, 2017 Bond Buyer 20-Bond Index)
Discount rate	
Projected salary increases	2.50%
Inflation	2.50%
Health Care inflation	Initial trend rate of 8.5% in fiscal 2018, 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
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 3.06% to 3.64%.

The total OPEB liability at September 30, 2018 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.

Note 9 – Other Post-Employment Benefits (Continued)

Changes in the Total OPEB Liability: Sources of changes in the total OPEB liability for the fiscal year ended September 30, 2018 were as follows:

	Increase (Decrease) in		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance as of September 30, 2016 for FY 17	\$ 93,326	\$ -	\$ 93,326
Changes due to:			
Service cost	7,048	-	7,048
Interest	3,046	-	3,046
Experience losses/(gains)	-	-	-
Changes in assumptions	(7,289)	-	(7,289)
Benefit payments and refunds	(1,735)	-	(1,735)
Balance as of September 30, 2017 for FY 18	<u>\$ 94,396</u>	<u>\$ -</u>	<u>\$ 94,396</u>

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 (2.64%) or 1-percentage-point higher (4.64%) than the current discount rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB liability	\$ 107,488	\$ 94,396	\$ 83,509

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	\$ 82,509	\$ 94,396	\$ 108,723

OPEB Expense

For the year ended September 30, 2018, the Town recognized OPEB expense of \$2,805.

Note 10 – Commitments and Contingencies

Risk Management: The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters. In order to limit its exposure to these risks, the Town is a participant in the Florida League of Cities (a not-for-profit corporation) self-insurance program for workers' compensation, general and auto liability, and property insurance. This self-insurance program purchases excess and specific coverage from third party insurance carriers. Participants in the program are billed annually 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.

Note 10 – Commitments and Contingencies (Continued)

Grant Contingency: The Town receives financial assistance from federal, state and local governmental agencies in the form of grants. The disbursement of 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. 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, 2018, neither a Federal single audit in accordance with the Uniform Guidance or a state single audit in accordance with the Florida Single Audit Act was required.

Significant Agreements: The Town previously entered into an agreement with the Broward Sheriff's Office (BSO) to provide professional police services through September 2014. After its initial term, the agreement 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. Currently, this agreement is continuing on a month to month basis while a new agreement is negotiated. 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 \$2,957,611 and \$6,720 for police services and traffic enforcement respectively for the year ended September 30, 2018.

The Town previously entered into an agreement with Broward Sheriff's Office to provide emergency medical and fire protection services through September 30, 2014. The renewal and termination terms are the same as noted for the police services agreement. Currently, this agreement is continuing on a month to month basis while a new agreement is negotiated. For 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 agreement was amended in January 2018 to acknowledge that the budgeted costs and annual increases for fire rescue and emergency services will be calculated based on total budget for the District with the Town responsible for 45% of such costs and annual increases for fiscal years 2018 and 2019. The amount paid for emergency medical and fire protection services for the year ended September 30, 2018 was \$2,917,217.

The Town is in a dispute with BSO regarding possible overpayments under the contract. The result of this dispute cannot be determined. The financial statements have not been adjusted in relation to this matter.

The Town has an agreement with the Town 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 is also involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of the Town's manager, will have a material effect on the Town's financial position.

Outstanding Claim: On January 3, 2018 the Town Manager separated from the Town. At September 30, 2018, the Town Manager's Compensated absence balance totaled approximately \$365,000. As of the report date, the Town has not paid the former Town Manager for compensated absences as the amount owed is in dispute.

Note 10 – Commitments and Contingencies (Continued)

Broward Office of the Inspector General (OIG) Investigation: The Town is currently under an ongoing investigation by the OIG. The OIG issued a report dated February 2, 2018 citing misconduct and gross mismanagement in the procurement of certain professional engineering services between 1995 and 2015. The OIG concluded that 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). As of the date of the report, there has been no indication of an investigation by HUD. Subsequent to year-end, the OIG started an additional investigation into other areas of expenditures, including payroll. The outcome of this investigation cannot be determined. The financial statements have not been adjusted in relation to these matters.

Note 11 - Pronouncements Issued, But Not Yet Adopted

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. 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 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.

Note 11 - Pronouncements Issued, But Not Yet Adopted (Continued)

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.

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.

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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, 2018

	<u>Budgeted Amounts</u>	Actual	Variance with Final Budget - Positive (Negative)
	Original & Final	Amounts	
REVENUES			
Property taxes	\$ 5,736,468	\$ 5,549,717	\$ (186,751)
Local option gas tax	117,186	115,463	(1,723)
Utility service taxes	1,296,508	1,357,071	60,563
Licenses and permits	1,272,156	1,510,187	238,031
Franchise taxes	866,044	898,975	32,931
Intergovernmental revenues	646,849	635,353	(11,496)
Charges for services	361,492	431,206	69,714
Fines and forfeitures	64,750	37,585	(27,165)
Grant Revenue	303,661	22,995	(280,666)
Interest	-	32,739	32,739
Miscellaneous	917,281	774,957	(142,324)
Total revenues	<u>11,582,395</u>	<u>11,366,248</u>	<u>(216,147)</u>
EXPENDITURES			
Current:			
General government:			
Mayor and Commission	631,346	614,352	16,994
Financial and administrative	1,667,586	1,247,185	420,401
Town attorney	162,000	280,488	(118,488)
Comprehensive planning	272,559	311,929	(39,370)
Non-departmental	468,136	927,834	(459,698)
Total general governmental	<u>3,201,627</u>	<u>3,381,788</u>	<u>(180,161)</u>
Public safety:			
Police	2,989,611	2,973,283	16,328
Fire	2,928,636	2,917,217	11,419
Total public safety	<u>5,918,247</u>	<u>5,890,500</u>	<u>27,747</u>
Building	492,788	461,827	30,961
Physical environment	309,739	306,177	3,562
Public works	366,787	433,528	(66,741)
Culture and recreation	601,684	673,151	(71,467)
Capital outlay	562,081	54,579	507,502
Total expenditures	<u>11,452,953</u>	<u>11,201,550</u>	<u>251,403</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 129,442</u>	<u>164,698</u>	<u>\$ 35,256</u>
Fund balance - beginning		<u>2,541,591</u>	
Fund balance - ending		<u>\$ 2,706,289</u>	

See notes to required supplementary information

**Town of Pembroke Park, Florida
Required Supplementary Information
Notes to Required Supplementary Information
For the Fiscal Year Ended September 30, 2018**

Budgets and Budgetary Accounting: The Town adopts annual operating budgets for the General Fund and the Enterprise Funds, which are prepared 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. 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.

Level of Control: 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.

Expenditures exceeded final appropriations for the Town attorney, Comprehensive planning, non departmental, public works and cultural and recreation.

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

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 316,660	\$ 66,093	\$ 55,785	\$ 21,941	\$ 21,303
Interest	180,541	176,986	127,969	99,066	94,948
Differences between expected and actual experience	(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	(56,882)	(26,663)	(27,956)	(27,900)	(30,087)
Net change in total pension liability	69,683	69,815	753,457	(12,548)	81,279
Total pension liability - beginning	2,806,001	2,736,186	1,982,729	1,995,277	1,913,998
Total pension liability - ending	2,875,684	2,806,001	2,736,186	1,982,729	1,995,277
Plan fiduciary net position					
Contributions - employer	370,136	121,583	137,490	62,510	66,669
Net investment income	246,124	229,468	150,300	(75,642)	136,270
Benefit payments, including refunds of member contributions	(56,882)	(26,663)	(27,956)	(27,900)	(30,087)
Administrative expenses	(4,404)	(4,183)	(8,384)	-	(4,192)
Other	-	-	445,681	-	-
Net change in plan fiduciary net position	554,974	320,205	697,131	(41,032)	168,660
Plan fiduciary net position - beginning	2,528,419	2,208,214	1,511,083	1,552,115	1,383,455
Plan fiduciary net position - ending	3,083,393	2,528,419	2,208,214	1,511,083	1,552,115
Town net pension liability (asset) - ending	(207,709)	277,582	527,972	471,646	443,162
Plan fiduciary net position as a percentage of the total pension liability	107%	90%	81%	76%	78%
Covered payroll	\$ 43,260	\$ 43,260	\$ 42,000	\$ 36,000	\$ 28,000
Town net pension liability (asset) as a percentage of covered payroll	-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 Supplemental Information
 Pension Plan for Town Commissioners
 Schedule of Contributions
 For the year ended September 30, 2018**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	351,306	80,278	67,848	62,510	66,669	67,003	82,875	141,245	94,591	70,248
Actual contribution	370,136	121,583	137,490	62,510	66,669	108,012	82,875	141,245	94,591	700,000
Contribution deficiency (excess)	(18,830)	(41,305)	(69,642)	-	-	(41,009)	-	-	-	(629,752)
Covered payroll	154,000	180,000	180,000	144,000	140,000	126,000	126,000	126,000	126,000	112,560
Contributions as a % of covered payroll	240.35%	67.55%	76.38%	43.41%	47.62%	85.72%	65.77%	112.10%	75.07%	621.89%

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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Annual money weighted rate of return, net of investment expense	3.77%	9.85%	4.76%	17.34%	11.97%	9.65%	4.79%	9.47%	10.13%	8.67%

Town of Pembroke Park, Florida
Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System Pension Plan
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Tow n's proportion of the FRS net pension liability	0.0092%	0.0089%	0.0085%	0.0092%	0.0080%
Tow n's proportionate share of the FRS net pension liability	\$ 2,761,625	\$ 2,641,826	\$ 2,145,618	\$ 1,191,713	\$ 485,749
Tow n's covered payroll	\$ 2,150,710	\$ 2,045,188	\$ 1,836,696	\$ 1,978,680	\$ 1,852,809
Tow n's proportionate share of the FRS net pension liability as a percentage of its covered payroll	128.41%	129.17%	116.82%	60.23%	26.22%
FRS plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

* 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. The amounts presented for each year were determined as of the measurement date, June 30.

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

	2018	2017	2016	2015	2014
Tow n's proportion of the HIS net pension liability	0.0069%	0.0070%	0.0065%	0.0064%	0.0061%
Tow n's proportionate share of the HIS net pension liability	\$ 727,357	\$ 747,307	\$ 752,274	\$ 657,431	\$ 574,234
Tow n's covered payroll	\$ 2,150,710	\$ 2,045,188	\$ 1,836,696	\$1,978,680	\$1,852,809
Tow n's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.82%	36.54%	40.96%	33.23%	30.99%
HIS plan fiduciary net position as a percentage of the total pension liability	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. The amounts presented for each year were determined as of the measurement date, June 30.

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

	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 225,033	\$ 233,168	\$ 211,718	\$ 228,392	\$ 207,813
FRS contributions in relation to the contractually required contribution	(225,033)	(233,168)	(211,718)	(228,392)	(207,813)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 1,907,590	\$ 2,074,311	\$ 1,902,889	\$1,978,680	\$1,852,809
FRS contributions as a percentage of covered payroll	11.80%	11.24%	11.13%	11.54%	11.22%

* 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. The amounts presented for each fiscal year were determined as of September 30.

Town of Pembroke Park, Florida
Schedule of Contributions
Retiree Health Insurance Subsidy Program
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 31,666	\$ 34,433	\$ 31,588	\$ 26,843	\$ 22,507
HIS contributions in relation to the contractually required contribution	(31,666)	(34,433)	(31,588)	(26,843)	(22,507)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,907,590	\$ 2,074,311	\$ 1,902,889	\$ 1,978,680	\$ 1,852,809
HIS contributions as a percentage of covered payroll	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. The amounts presented for each fiscal year were determined as of September 30.

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>2018</u>
Total OPEB Liability	
Service cost	\$ 7,048
Interest	3,046
experience	-
Assumption changes	(7,289)
Benefit payments and refunds	<u>(1,735)</u>
Net change in Total OPEB Liability	1,070
Total OPEB Liability - Beginning of Year	<u>93,326</u>
Total OPEB Liability - End of Year	<u>\$ 94,396</u>
Total OPEB Liability	\$ 94,396
Fiduciary net position as a % of Total OPEB Liability	0.00%
Covered payroll	\$ 2,364,898
Total OPEB liability as a percentage of covered payroll	3.99%

(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%

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OTHER REPORTS OF INDEPENDENT AUDITORS



**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 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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 16, 2019, 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 over financial reporting 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 Pursuant 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 items 2018-01, 2018-02 and 2018-03 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 2018-04 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 2018-01.

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 December 16, 2019.

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.

December 16, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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, 2018. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2018.

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.

December 16, 2019



**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, 2018, and have issued our report thereon dated December 16, 2019, 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 Auditor'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, which are dated December 16, 2019, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of the state of Florida. Accordingly, in connection with our audit of the financial statements of the Town, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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.

December 16, 2019

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Material Weakness and Material Non-Compliance

2018-01 Irregular payroll transactions

Observation:

Hurricane Overtime

During procedures, we noted that certain salaried employees, were paid overtime (OT) at one and half times their annual hourly rate during September and October 2017 related to Hurricane Irma and Mathew. We noted the following related to these payments:

- The OT for Hurricane Irma was incurred in the pay period ending September 17, 2017 but was not paid until the pay period ending September 24, 2017 and October 2, 2017. We could not determine why payments were made in different periods.
- In one instance, we noted that the former Town manager recorded three consecutive days of working 24 hours daily.
- In addition, for all employees tested, the overtime hours were manually inserted on the time card instead of being clocked by the time card system.
- Furthermore, during procedures, it came to our attention, that certain Hurricane Matthew related hurricane OT amounts were paid one year after the date of the hurricane.

We were provided with a one page form as evidence for approval of this policy. We requested numerous times as to when the policy was adopted however we were not provided any evidence of approval by the Commission. The policy was not included in the personnel manual provided to us. On November 15, 2019, we were provided with a letter from the Town Attorney and documentation of Resolution 04-10-09, dated October 13, 2004, which included approval of the policy. The Resolution stated that the policy should be inserted in the Employee Policies and Procedures Manual. The Employees Policies and Procedures Manual is dated April 9, 1997 for all sections, except for the section titled "Leave Policies and Procedures" which had been amended on May 13, 2009. We could not determine why the policy change from 2004 had not been included in the manual or if the policy had been removed by the action taken in May 2009. Total amounts paid to salaried employees for hurricane overtime at time and half was approximately \$80,000. The documentary evidence supporting approval of these payment adjustments were not adequate.

Vacation Cash Out

During fiscal year 2018, employees were allowed to cash out up to 80 hours of vacation on two separate occasions. The initial payout in November 2017 was initiated by prior Town Finance Director via a form which was submitted to eligible employees. We could not determine if the former Town Manger approved the payment as required by the policy. However, the former Town Manager submitted a form for reimbursement of eighty hours. The second payout was initiated by the "Finance Department" with no name attached to the form. As the former Town Manager had left in January 2018, we could not determine who approved the second payout. In addition, in two instances tested, the employees were allowed to cash out vacation, even though they did not appear to have the 160 hours accrued vacation prior to the election as indicated in the requirements on the election form.

We were provided with a one page form as evidence for approval of this policy. We requested numerous times as to when the policy was adopted however we were not provided any evidence of approval by the Commission. The policy was not included in the personnel manual provided to us. On November 15, 2019, we were provided with a letter from the Town Attorney and documentation of Resolution 04-10-09, dated October 13, 2004, which included approval of the policy. The Resolution stated that the policy should be inserted in the Employee Policies and Procedures Manual. The Employees Policies and Procedures Manual is dated April 9, 1997 for all sections, except for the section titled "Leave Policies and Procedures" which had been amended on May 13, 2009. The amended policy from 2009 does not provide for the payment of accrued vacation prior to separation from employment.

REPORT TO MANAGEMENT (Continued)

The total amounts paid to employees was approximately \$91,000. In addition, the 2004 policy only provides for the payment of the accrued time once a year. The payments were made on two occasions during the fiscal year ended September 30, 2018. As such, the payout of these amounts appear to be improper and not substantiated and could represent fraud or an illegal act.

Commission oversight related to these issues were lacking, resulting in our inability to obtain sufficient appropriate audit evidence.

Recommendation: Management under the direction of the Commission must follow up on how this occurred and to determine if fraud or other illegal acts may have occurred. As documented in finding 2018-3, the Town should update its personnel policies and procedures to clarify inconsistencies and to ensure that policies are comprehensive.

Management response: The policies for overtime to hurricanes and the payment of accrued vacation leave were properly authorized by adoption of Resolution 04-10-09 by the Town Commission. Town Commission is granted the legal authority to establish Town policies by Section 13 of the Pembroke Park Charter which states as follows: "All powers of the City, except such as vested in the Mayor and except as otherwise provided by this Charter or the Constitution of the State of Florida are hereby vested in the Commission. The Commission may, by ordinance or resolution, prescribe the manner in which any power of the City may be exercised. The Commission shall be the judge of the election and a qualification of its own members. The Commission may determine its own rule of procedure and may punish its own members for misconduct. A majority of the members of the Commission shall constitute a quorum."

The Town policies for "Accumulation of Vacation Leave" and "Compensation for Salaried, Exempt Employees during Emergency Management" were legally approved by the Town Commission based on their authority in the Pembroke Park Charter, and as such are official policies of the Town.

The Commission has engaged a Human Resources Consultant to develop and rewrite the HR Policies and Procedures Manual. Management will ensure that all policies are adhered to and implemented according to the policy.

Material Weaknesses

2018-02 Internal controls over disbursements

Observation: We noted the following lack of controls and documentation related to disbursements as follows:

- During procedures, we found several credit card bills that did not have all the receipts to support the charges on the card. In addition, various receipts lacked documentation of business purpose. In addition, noted several purchases that included payment of sales taxes, indicating inconsistent use of sales tax exemption on credit card purchases. Furthermore, it was noted that certain cards being used by the Town were actually established as personal accounts of a Town employee.
- For several employee expense reimbursement reports, documentation provided was inadequate or incomplete.
 - a. Inadequate documentation or support for travel reimbursements provided – lack of corresponding pre-travel authorization, lack of support provided of employee's registration for events, lack of detailed receipts for certain charges such as tolls and meals
 - b. Mileage reimburse does not show documentation of miles travelled (mapping information).
 - c. An incorrect reimbursement was paid to a Commissioner for mileage related to two conferences and there was no documentation to support the number of miles travelled.
 - d. Lack of documentation for amounts paid. In two items selected for testing, payroll related adjusted amounts for federal income taxes and insurance deductions were paid through expense reimbursements. Insufficient documentation was provided to support the accuracy of the reimbursement amounts.

REPORT TO MANAGEMENT (Continued)

- Several payments for contract finance labor and inspection services lack documentation or agreement for approved rates.
- A Verizon bill included an account listed under a Commissioner that retired 10 months prior. No explanation or other documentation provided by the Town.

Recommendation: The Town should develop a credit card policy which addresses among other things consequences to card holders when receipts are not provided such as requiring the card holders to reimburse the Town for unsupported charges and/or revoking the card. All receipts should document the business purpose of the relevant expenses. Employees using credit cards to pay for purchases should ensure that proper sales tax exemption is applied where applicable. In addition, all Town credit cards should be in the Town's name and control limited to authorized individuals. All payments for contract services should be documented and approved and in accordance with a Commission approved contract.

Management response: The findings and recommendations are noted and management is in the process of developing a credit card policy to address all of the concerns stipulated in the audit. The policy will be presented to the Commission for approval

2018-03 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:

- Inadequate documentation provided to verify approved pay rates for one employee. Multiple instances where the time paid did not match the time worked per the time sheets.
- One instance where an employee's election form provided for a contribution to the retirement plan of \$110, but no amount was deducted. No documentation provided to stop the deductions.
- For the payroll period selected for testing, there was no review or approval of payroll processing. Per inquiry of payroll clerk, there were several months after the dismissal of the previous Finance Director, where supervision and approval was absent.
- No documentation provided for separation pay for an employee that terminated during the year nor approval of timecard for the last period of employment.
- An employee that was employed for only 4 weeks was paid a two-week severance and compensated for sick time. As employee did not work full calendar month, does not appear to have been eligible for sick leave.
- The Town policy allows up to two weeks severance for employees involuntarily terminated without cause. In the cases we tested where severance appeared to be paid for one to two weeks, no documentation was provided of the type of termination.
- There appears to be procedures in practice, for which we were not provided written policy documentation, that would allow certain managers to receive "administrative leave" time off that does not reduce their leave banks.

Recommendation: The Town should update its personnel policies and procedures to clarify inconsistencies and to ensure that policies are comprehensive. In addition, the Town should implement controls to ensure that documentation and approvals related to payroll policies and procedures are properly documented and accessible in order to establish an audit trail to support compliance with policies. The Town should implement a step in the payroll process where any differences in the time paid and the time worked per time cards are documented and approved. The Town should implement a step in the payroll process where payroll adjustments, are properly documented and approved.

REPORT TO MANAGEMENT (Continued)

Management response: As stated in Finding #1, the Commission has engaged a Human Resources Consultant to develop, update and rewrite the HR Policies and Procedures Manual. Once the new HR Policies and Procedures are finalized, it will be presented to the Commission for approval.

Significant Deficiency

2018-04 Internal Controls over Procurement and Procurement Documentation

Observation: During our procedures, we noted that the Town was not following the procedures as written in its procurement policies. Procurement policies were outdated and inconsistent with the Town's operating procedures. In January 2018, the Town implemented a new procurement code to more closely align policies with operating practices. However, we noted certain instances where documentation provided was incomplete or inadequate to ascertain compliance with both the old and new procurement policies. The issues identified were as follows:

- The Town's procurement policy relating to Commission approved amounts were not adequately documented and therefore we could not determine if approval was given.
- Inconsistent use of purchase orders. The documentation provided appears to be more of a combined check request/purchase order form, several of which had no information in the PO section.
- Multiple credit card purchases selected for testing included transactions over \$500, for which separate procurement documentation evidencing adherence to procurement policies was not provided.
- Inadequate documentation provided to support compliance related to quotes and/or bids to ensure competitive selection.

Recommendation: The Town should ensure that all relevant personnel are appropriately aware of and adhere to written procurement policies and procedures. The Town should ensure that all required documentation and approvals with procurement policies and procedures are properly documented and accessible in order to establish an audit trail to support compliance with policies.

Management response: New Management is working with staff to develop the procurement policies and procedures. After the completion of the policies and procedures, Management will be conducting training sessions to make sure the Commissioners and employees are aware of the policies and how to implement them.

Other Findings

2018-05 Budget

Observation: Budgetary appropriations are legally controlled at the department level. Actual expenditures exceeded appropriations in several departments and for the general fund in total for the fiscal year ended September 30, 2018.

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

Management response: The Town went through various transitions during this audit period. However, new Management will have the 2019 budget amendment performed within the 90 day time period.

REPORT TO MANAGEMENT (Continued)

2018-06 Reconciliation of separate accounting systems

Observation: The Town billing and receipt software is separate and does not interface or integrate with its accounting software. During procedures it was 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.

Management response: Management and the appropriate staff have had discussions with the software company to correct the posting issue.

2018-07 Cafeteria Plan

Observation: During our procedures, we noted that the Town does not routinely reconcile its liability to employees under the flexible spending accounts (FSA). As a result, there was insufficient documentation to substantiate reconciling items to the related bank statement and to support the accuracy of the FSA liability recorded.

Recommendation: The Town should consider periodically obtaining reports of all employee remaining balances and reconcile to reported liability amounts.

Management response: Management is evaluating the issue. Discussions will be held with all interested parties to develop mechanisms to obtain the reports.

2018-08 Qualified Public Depository (QPD) Annual Report

Observation: During our fieldwork, we noted that the Town did not file its 2018 QPD report in a timely manner as required by Florida statute.

Recommendation: The Town should ensure that the QPD report is filed no later than November 30th each year.

Management response: The new Finance Director has taken the necessary steps to file the 2019 QPD report in a timely manner.

2018-09 Bank Account Reconciliations

Observation: During the audit we noted that the May 2018 bank reconciliations were not completed until several months later. In addition, for the operating and cafeteria plan accounts, there were unreconciled variances with the related cash balances per the system. Furthermore, there was no evidence of review or approval of the reconciliations.

Recommendation: The Town should ensure that bank reconciliations are completed and reviewed in a timely manner.

Management response: The new Finance Director is conducting the bank reconciliations on a weekly basis.

REPORT TO MANAGEMENT (Continued)

2018-10 Reconciliation of Utility System Receivables

Observation: During procedures it was noted that the Town did not reconcile the receivable balances recorded in its accounting system with the monthly customer receivable reports provided by Broward County. As a result, the receivable balance reported at year end was incorrect.

Recommendation: The Town should reconcile the balances recorded in its accounting system with the monthly customer receivable reports provided by Broward County.

Management response: The finding and recommendation are noted. Management and staff are working with Broward County to receive the monthly customer receivable reports in a format to enable the data to be reconciled and to determine the balances.

2018-11 Internal Controls and Documentation over Permits

Observation: During our fieldwork, we noted several permit applications that did not contain a plan reviewer approval on the application. In addition, we noted that there appeared to be some ambiguity in the permit fees schedule relating to the cost basis of for state fees on certain flat fee permits.

Recommendation: The Town should ensure that all required documentation and approvals related to permits are properly documented and accessible in order to establish an audit trail to support compliance with policies. The Town should consider updating permit fees schedules to clarify certain flat fee permit amounts and cost basis to be used for related state fees.

Management response: The findings and recommendations are noted. Management and the Building Department are working on procedures to ensure that all required documentation and approvals related to permits are properly documented and accessible in order to establish an audit trail to support compliance with policies. In addition, staff are looking at the fees to perform an analysis to determine where adjustments may need to be made.

2018-12 Annual Financial Interest Disclosure Forms

Observation: During our fieldwork, we noted that one official did not file their required annual financial disclosure form in a timely manner as required by Florida statute.

Recommendation: The Town should ensure that all reports are filed by July 1 each year to ensure compliance with laws.

Management response: The Interim Deputy Clerk will make sure the forms will be filed in a timely manner to ensure compliance with laws.

2018-13 Minutes:

Observation: Florida Statutes require municipalities to promptly record minutes of meetings. Minutes were not transcribed on a timely basis. In addition, when "minutes" were provided they were disorganized and confusing containing incorrect dates, mistakes, unclear information, and bear the title "amended agenda". Furthermore, the majority of the documents provided indicated that they were drafts.

Recommendation: We recommend that the Town take the necessary steps to comply with the Florida Statutes and record minutes promptly and ensure that they are created with due diligence. Furthermore document should clearly reflect intention by being appropriately titled as official Minutes.

Management Response: The finding and recommendation are noted. The Town has taken the necessary steps to ensure that going forward all minutes will to comply with the Florida Statutes and record minutes promptly and ensure that they are created with due diligence. The documents are now being produced to clearly reflect intention by being appropriately titled as official Minutes.

**REPORT TO MANAGEMENT
(Continued)**

II. PRIOR YEAR FINDINGS

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

Current Status: See finding no. 2018-04 above.

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

Current Status: See finding no. 2018-03 above. Finding combined with other current findings and shown as material weakness.

2017-03, 2016-05 Budget:

Current Status: See finding no. 2018-05 above.

2017-04, 2016-06 Lack of documentation for travel and other purchases on credit cards and internal controls over credit cards:

Current Status: See finding no. 2018-02 above. Finding combined with other disbursement issues as a material weakness.

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

Current Status: See finding no. 2018-06 above.

2017-06, 2016-09 Accounts payable report:

Current Status: Finding has been resolved.

2017-07 Minutes:

Current Status: See finding no. 2018-13 above.

2017-08 Cafeteria Plan

Current Status: See finding no. 2018-07 above.

**REPORT TO MANAGEMENT
(Continued)**

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2017, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2018, except as noted above.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2018, except as noted above.

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.
5. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.