



**TOWN OF MEDLEY, FLORIDA**  
**Financial Section, Required Supplementary Information,**  
**Combining Fund Statements, and Supplementary Financial**  
**Reports Compliance Section**  
**September 30, 2016**  
**With Independent Auditors' Report**

<b>TABLE OF CONTENTS</b>	
<b>Independent Auditors' Report</b>	1-2
<b>Financial Section</b>	
Management's Discussion and Analysis	3-13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Government Funds	
Balance Sheet	16-17
Statement of Revenues, Expenditures, and Changes in Fund Balances	18-19
Proprietary Funds	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22-23
Fiduciary Funds	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	26-56

**Continued**

<b>TABLE OF CONTENTS</b>	
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	57
Defined Benefit Pension Trust Funds	
Schedules of Funding Progress	58
Schedules of Employer Contributions	59
Notes to Required Supplementary Information	60
<b>Combining Fund Statements</b>	
Other Proprietary Funds	61
Combining Statement of Net Position	62
Combining Statement of Revenues, Expenses, and changes in Net Position	63
Combining Statement of Cash Flows	64
<b>Supplementary Financial Reports Compliance Section</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	65-66
Schedule of Findings and Responses	67-70
Status of Prior Year Recommendations	71
Management Letter Required by Section 10.550 of the Rules of the Auditor General of the State of Florida	72-73
Independent Accountants' Report on Compliance With Section 218.415, Florida Statutes	74

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council  
Town of Medley, 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 aggregate remaining fund information, as well as each fiduciary fund type, of the Town of Medley, Florida (the "Town") as of and for the year ended September 30, 2016, 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.

### Auditors' 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 auditors' 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 auditors consider internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as each fiduciary fund type, of the Town as of September 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof, for the 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 and budgetary comparison information and the defined benefit pension information on pages 3 through 13 and 57 through 60 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 ("GASB"), 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Medley, Florida's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements on pages 62 through 64 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2017, on our consideration of the Town of Medley, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



June 28, 2017

# Town of Medley, Florida

## Management's Discussion and Analysis

### September 30, 2016

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As management of the Town of Medley, Florida (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2016.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. The information contained within this section should be considered only a part of a greater whole.

#### FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$179,276,501 (*net position*). Of this amount, \$20,748,107 (*unrestricted net position*) may be used to meet the government's ongoing obligations to residents and creditors.
- During the fiscal year, the Town's total net position increased by \$682,409 or by approximately .4%. This is comprised of an increase of \$115,237 in governmental activities and an increase of \$567,172 in business-type activities.
- The increase in governmental activities was attributable to revenues being greater than expenses. Compared to last year, when there was an increase in net position of \$2,461,716, current year's increase in net position was only \$115,237. Total revenues decreased by \$1,733,348 due to a decrease in the millage rate, an increase in transfers out, and a decrease in capital grants and contributions. Revenue items increasing include charges for services (permit fees). Total governmental expenditures increased from 2015 by \$613,131.
- The increase in business-type activities was attributable to revenues being greater than expenses. Compared to last year, when there was an increase in net position of \$3,810,717, current year's increase in net position was only \$567,172. Revenues decreasing include user charges and service and hook-up charges by \$882,512 and grants by \$1,581,088. Operating expenses increasing include contractual services by \$947,403 (mostly attributable to sewer treatment costs, sewer repairs, and professional fees).
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$15,763,258, a decrease of \$1,844,941 in comparison with the prior year. Of this amount, \$13,988,533 is *available for spending* at the government's discretion (*assigned or unassigned fund balance*) of which \$6,000,000 has been assigned for future projects and expenditures consisting of \$2,000,000 for pensions, \$2,300,000 for working capital, \$900,000 for debt service, and \$800,000 for health insurance for retired employees.
- The Town's total long-term obligations decreased by \$2,246,046, the net effect which is comprised of an increase in amounts due for compensated absences and other post-employment benefits liabilities, principal payments on existing debt, and a decrease in net pension liability.
- The total fair value of the Town's unrestricted cash and investments at September 30, 2016, was \$30,258,029, a decrease of \$2,632,335 from the prior year.

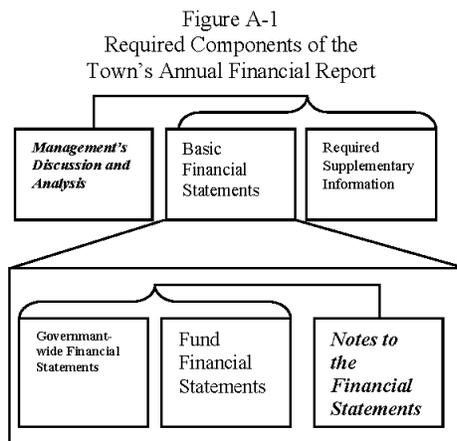
#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, combining statements for nonmajor proprietary funds, and supplementary financial reports compliance section. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
- The governmental funds statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the water and wastewater and stormwater utilities.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information which further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor proprietary funds, each of which is added together and presented in single columns in the basic financial statements.



**Government-wide financial statements.** The *government-wide financial 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 of the Town's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, physical environment, human services, and culture and recreation. The business-type activities of the Town include a water and wastewater utility, a stormwater utility, an age and income restricted mobile home retirement park, and a police gun range.

The government-wide financial statements can be found on pages 14 and 15 of this report.

**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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental 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 on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, and the law enforcement trust fund and Town of Medley Foundation, Inc. which are considered to be special revenue funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

**Proprietary funds.** The Town maintains four different types of proprietary or enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and wastewater fund, its stormwater utility fund, its Medley Lakeside Retirement Park fund, and its police gun range fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater fund and for the stormwater utility fund, both of which are considered to be major funds of the Town. Data from the two other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

**Fiduciary funds.** The fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are *not* reflected in the government-wide financial statements 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 basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

**Town of Medley, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2016**

**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. The notes to the financial statements can be found on pages 26 through 56 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budget to actual comparisons for the Town's general fund and the Town of Medley, Florida's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 57 through 60 of this report.

The combining statements referred to earlier in connection with nonmajor proprietary funds are presented immediately following the required supplementary information on pensions. Combining fund statements can be found on pages 62 through 64 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The table below summarizes the statements of net position:

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2016	2015	2016	2015	2016	2015		
Current assets	\$ 15,314,034	\$ 16,646,947	\$ 16,431,076	\$ 18,235,077	\$ 31,745,110	\$ 34,882,024	\$ (3,136,914)	(9.0) %
Noncurrent assets	1,674,399	2,385,360	927,173	781,787	2,601,572	3,167,147	(565,575)	(17.9)
Capital assets, net	<u>139,957,413</u>	<u>138,311,681</u>	<u>27,891,724</u>	<u>25,397,740</u>	<u>167,849,137</u>	<u>163,709,421</u>	<u>4,139,716</u>	2.5
Total assets	<u>156,945,846</u>	<u>157,343,988</u>	<u>45,249,973</u>	<u>44,414,604</u>	<u>202,195,819</u>	<u>201,758,592</u>	<u>437,227</u>	0.2
Deferred Outflows	<u>2,356,187</u>	<u>2,308,117</u>	<u>437,084</u>	<u>574,160</u>	<u>2,793,271</u>	<u>2,882,277</u>	<u>(89,006)</u>	(3.1)
Long-term obligations outstanding	14,443,442	15,999,853	5,474,860	6,164,495	19,918,302	22,164,348	(2,246,046)	(10.1)
Other liabilities	<u>1,072,228</u>	<u>1,290,831</u>	<u>2,080,625</u>	<u>1,603,065</u>	<u>3,152,853</u>	<u>2,893,896</u>	<u>258,957</u>	8.9
Total liabilities	<u>15,515,670</u>	<u>17,290,684</u>	<u>7,555,485</u>	<u>7,767,560</u>	<u>23,071,155</u>	<u>25,058,244</u>	<u>(1,987,089)</u>	(7.9)
Deferred Inflows	<u>2,001,534</u>	<u>691,829</u>	<u>639,900</u>	<u>296,704</u>	<u>2,641,434</u>	<u>988,533</u>	<u>630,250</u>	63.8
Net position:								
Investment in capital assets, net of related debt	132,798,030	130,439,571	23,955,639	21,228,381	156,753,669	151,667,952	5,085,717	3.4
Restricted	1,774,725	2,322,165	-	-	1,774,725	2,322,165	(547,440)	(23.6)
Unrestricted	<u>7,212,074</u>	<u>8,907,856</u>	<u>13,536,033</u>	<u>15,696,119</u>	<u>20,748,107</u>	<u>24,603,975</u>	<u>(3,855,868)</u>	(15.7)
Total net position	<u>\$ 141,784,829</u>	<u>\$ 141,669,592</u>	<u>\$ 37,491,672</u>	<u>\$ 36,924,500</u>	<u>\$ 179,276,501</u>	<u>\$ 178,594,092</u>	<u>\$ 682,409</u>	0.4 %

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$179,276,501 at September 30, 2016.

The largest portion of the Town's net position, \$156,753,669, or 87%, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Town of Medley, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2016**

An additional portion of the Town's net position, \$1,774,725, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$20,748,107, may be used to meet the government's ongoing obligations to residents and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in the three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Governmental and business-type activities.** Governmental activities increased the Town's net position by \$115,237, whereas business-type activities increased the Town's net position by \$567,172. This resulted in an increase in total net position of \$682,409.

The table below summarizes the statements of activities:

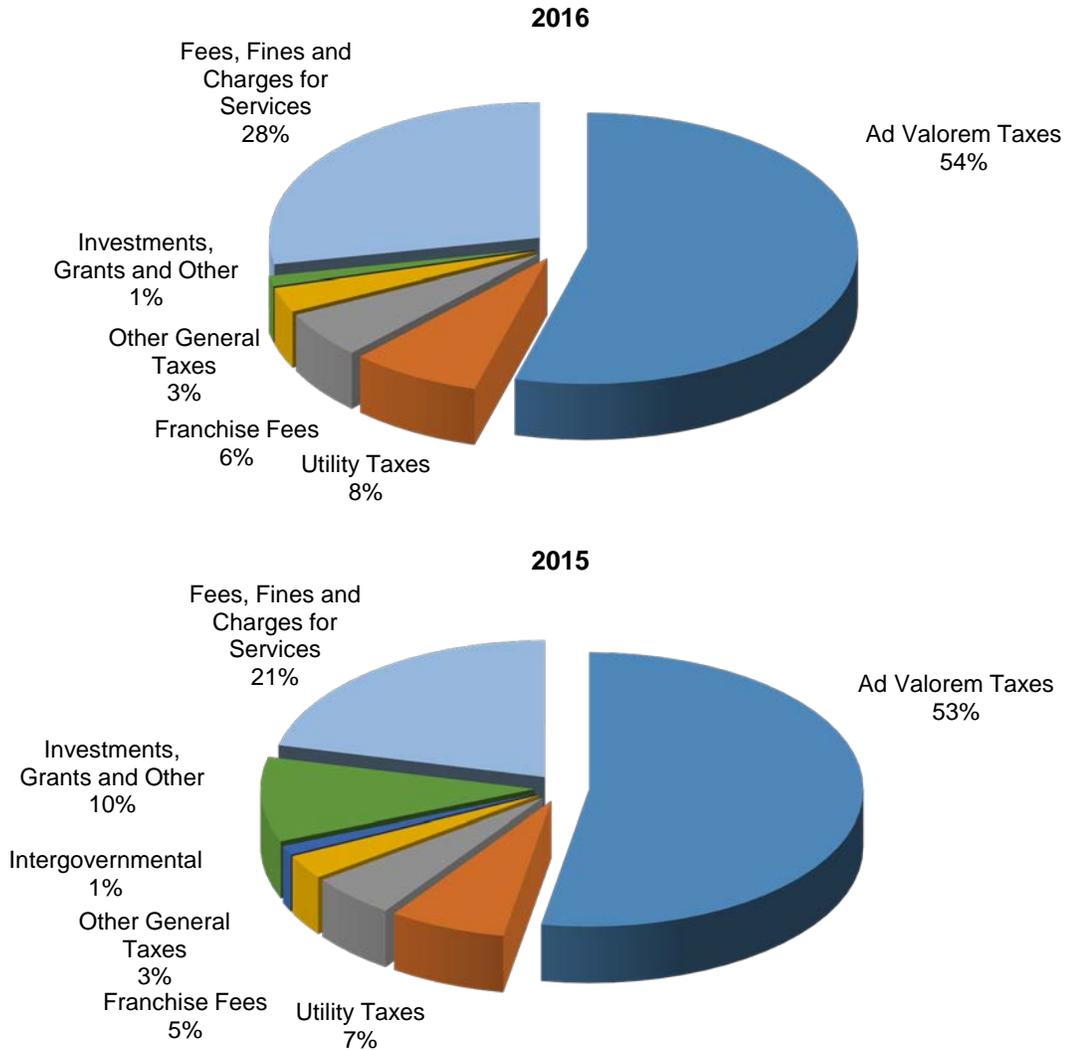
**Town of Medley, Florida**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2016	2015	2016	2015	2016	2015		
<b>Revenues</b>								
Program revenues								
Fees, fines, and charges for services	\$ 4,945,377	\$ 4,103,126	\$ 7,942,747	\$ 8,809,121	\$ 12,888,124	\$ 12,912,247	\$ (24,123)	(0.2) %
Operating grants and contributions	2,639	32,689	90,790	-	93,429	32,689	60,740	185.8
Capital grants and contributions	-	1,750,000	405,000	2,076,878	405,000	3,826,878	(3,421,878)	(89.4)
General revenues:								
Ad valorem taxes	9,550,304	10,202,596	-	-	9,550,304	10,202,596	(652,292)	(6.4)
Utility taxes	1,373,944	1,334,347	-	-	1,373,944	1,334,347	39,597	3.0
Franchise fees	981,134	993,205	-	-	981,134	993,205	(12,071)	(1.2)
Other general taxes	522,641	554,544	-	-	522,641	554,544	(31,903)	(5.8)
Intergovernmental	213,649	213,165	-	-	213,649	213,165	484	0.2
Investment earnings	89,650	84,952	118,921	105,531	208,571	190,483	18,088	9.5
Miscellaneous	116,908	85,548	-	-	116,908	85,548	31,360	36.7
Internal activity:								
Transfers	(204,422)	(29,000)	204,422	29,000	-	-	-	-
Total revenues and transfers	<u>17,591,824</u>	<u>19,325,172</u>	<u>8,761,880</u>	<u>11,020,530</u>	<u>26,353,704</u>	<u>30,345,702</u>	<u>(3,991,998)</u>	<u>(13.2)</u>
<b>Expenses</b>								
General government	5,838,843	6,555,901	-	-	5,838,843	6,555,901	(717,058)	(10.9)
Public safety	7,703,913	6,646,456	-	-	7,703,913	6,646,456	1,057,457	15.9
Physical environment	1,441,639	1,166,275	-	-	1,441,639	1,166,275	275,364	23.6
Human services	1,498,662	1,491,578	-	-	1,498,662	1,491,578	7,084	0.5
Culture and recreation	824,658	810,048	-	-	824,658	810,048	14,610	1.8
Interest	168,872	193,198	73,049	121,953	241,921	315,151	(73,230)	(23.2)
Water and wastewater	-	-	5,473,039	4,525,636	5,473,039	4,525,636	947,403	20.9
Stormwater utility	-	-	1,990,071	1,948,259	1,990,071	1,948,259	41,812	2.1
Medley Lakeside Retirement Park	-	-	405,757	385,818	405,757	385,818	19,939	5.2
Police gun range	-	-	252,792	228,147	252,792	228,147	24,645	10.8
Total expenses	<u>17,476,587</u>	<u>16,863,456</u>	<u>8,194,708</u>	<u>7,209,813</u>	<u>25,671,295</u>	<u>24,073,269</u>	<u>1,598,026</u>	<u>6.6</u>
Increase (Decrease) in Net Position	<u>115,237</u>	<u>2,461,716</u>	<u>567,172</u>	<u>3,810,717</u>	<u>682,409</u>	<u>6,272,433</u>	<u>(5,590,024)</u>	<u>(89.1)</u>
Net Position, beginning of year	<u>141,669,592</u>	<u>139,207,876</u>	<u>36,924,500</u>	<u>33,113,783</u>	<u>178,594,092</u>	<u>172,321,659</u>	<u>6,272,433</u>	<u>3.6</u>
Net Position, end of year	<u>\$ 141,784,829</u>	<u>\$ 141,669,592</u>	<u>\$ 37,491,672</u>	<u>\$ 36,924,500</u>	<u>\$ 179,276,501</u>	<u>\$ 178,594,092</u>	<u>\$ 682,409</u>	<u>0.4 %</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$115,237.

**Revenues.** The following chart shows the amounts of program and general revenues for fiscal years 2016 and 2015:

**Revenues by Source – Governmental Activities  
 For the Years Ended September 30, 2016 and 2015, respectively**



The Town is heavily reliant on property taxes to support governmental functions. Property taxes provided 54% of the Town's total revenues as compared to 53% in fiscal year 2015. Other general taxes, which include communication services taxes, provided 3% of the Town's total revenues in both fiscal year 2016 and 2015. Franchise fees and utility taxes provided 14% of the revenues compared to 12% for the year ended September 30, 2015.

**Town of Medley, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2016**

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**Expenses.** The table below illustrates the costs placed on the Town's taxpayers by each of these governmental activity services.

	<u>Total Cost of Services</u>	<u>Percentage of Total</u>
General government	\$ 5,838,843	33.4%
Public safety	7,703,913	44.1
Physical environment	1,441,639	8.2
Human services	1,498,662	8.6
Culture and recreation	824,658	4.7
Interest	168,872	1.0
	<u>\$ 17,476,587</u>	<u>100.0%</u>

Expenses for governmental activities increased \$613,131 from the prior year. The increase is mostly attributable to increased public safety costs.

**Business-type activities.** Business-type activities increased the Town's net position by \$567,172.

**Overall analysis of major funds.** The Town reports two major enterprise funds and two nonmajor funds (Medley Lakeside Retirement Park fund and police gun range fund). The net income for each major enterprise fund was as follows for fiscal year 2016 and 2015:

	<u>Fiscal Year</u>	
	<u>2016</u>	<u>2015</u>
Water and wastewater	\$ 204,140	\$ 3,262,270
Stormwater utility	391,001	589,654
	<u>\$ 595,141</u>	<u>\$ 3,851,924</u>

The following includes an analysis of the fiscal year 2016 financial activities for each fund:

- The water and wastewater fund had an increase in net position of \$204,140. Operating revenues decreased by \$575,165 from the prior year due to lower service and hook-up charges. Operating expenses increased by \$947,403 from the prior year. This is mostly attributable to an increase in contractual services, specifically professional fees, sewer treatment costs, and sewer maintenance costs.
- The water and wastewater fund recognized grant revenues and capital contributions of \$345,790. This was a decrease of \$1,731,088 from the prior year.
- The stormwater utility fund had an increase in net position of \$391,001. Operating revenues decreased by \$299,078 due to ERU adjustments in accordance with the terms of agreements with the owners of specific large properties. Operating expenses increased by \$143,085 from the prior year. This was mostly attributable to increased salaries, wages, and employee benefit expenses.

**Town of Medley, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2016**

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**Nonmajor fund – Medley Lakeside Retirement Park.** There were transfers from the general fund of \$204,422 to the Medley Lakeside Retirement Park which are recorded as revenue in that fund. This fund continues to experience operating losses due to the fact that land rents collected from residents do not cover operating expenses. The Medley Town Council has directed that the Town continue to support the retirement park's operations as needed.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Town of Medley, Florida uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The table below summarizes the changes in the fund balances of the Town's governmental funds:

	<b>Governmental Funds</b>			<b>Total</b>
	<b>General Fund</b>	<b>Law Enforcement Trust Fund</b>	<b>Town of Medley Foundation, Inc.</b>	
Revenue	\$ 17,683,655	\$ 83,318	\$ 29,273	\$ 17,796,246
Expenditures	(18,772,146)	(638,573)	(26,046)	(19,436,765)
Other financing sources (uses), net	(204,422)	-	-	(204,422)
	<u>\$ (1,292,913)</u>	<u>\$ (555,255)</u>	<u>\$ 3,227</u>	<u>\$ (1,844,941)</u>

**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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Town's governmental funds reported combined ending fund balances of \$15,763,258, a decrease of \$1,844,941 in comparison with the prior year. Key components decreasing fund balance are as follows:

- A reduction in the millage rate from 6.38 mills to 5.5791 mills.
- A 3.3% increase in departmental expenses.
- In 2015 there was \$5,800,000 in other financing sources from proceeds related to the issuance of debt compared to none in 2016.

The general fund is the chief operating fund of the Town. General tax revenues and other receipts that are not allocated to another fund by law or contractual commitment are accounted for in this fund. General operating expenditures and capital improvement costs not paid through another fund are paid from this fund. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$13,988,533. As a measure of the general fund's liquidity, it may be useful to compare this amount to total fund expenditures. Assigned and unassigned fund balance represents approximately 72% of total general fund expenditures.

**Proprietary funds.** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total growth in net position for all enterprise fund statements was \$567,172. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

**Town of Medley, Florida  
Management's Discussion and Analysis  
September 30, 2016**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The following information is presented to assist the reader in comparing actual results with final budgetary amounts:

Actual revenues were more than budget by \$338,850. This was primarily due to the net effects of the following variances:

- Ad valorem collections were \$29,904 higher than budgeted because of value adjustments and delinquent payments which were received in fiscal year 2016.
- Utility taxes were \$34,173 over budget due to improvement in the economy.
- Other general tax collections were \$78,337 over budget due primarily to increases in communication services tax revenue.
- Permits, fees, and licenses revenue was \$714,421 over budget. This revenue source depends on the volume of construction activity within the town limits and is somewhat unpredictable.
- Fines and forfeiture revenue was \$433,925 under budget. This was due to a number of red light cameras being inoperable during portions of fiscal year 2016.

Actual expenditures were lower than budget by \$1,869,493. This was primarily caused by capital outlay, which was \$2,358,325 lower than budget due to deferral of projects and delays in new construction.

Additional information on budgetary comparisons between the final budget and actual results can be found on page 57 of this report.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$167,849,137 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, roadways, water, wastewater, and stormwater utility systems, machinery and equipment, and park facilities.

The table below summarized the investment in capital assets:

**Town of Medley, Florida**

**Capital Assets**

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2016	2015	2016	2015	2016	2015		
Land and improvements	\$ 5,226,539	\$ 5,217,901	\$ 799,239	\$ 765,839	\$ 6,025,778	\$ 5,983,740	\$ 42,038	0.7 %
Construction in progress	5,620,098	3,492,068	4,548,249	1,672,468	10,168,347	5,164,536	5,003,811	96.9
Buildings and improvements	14,073,169	12,945,897	1,101,708	1,101,708	15,174,877	14,047,605	1,127,272	8.0
Infrastructure	143,359,347	143,359,347	-	-	143,359,347	143,359,347	-	0.0
Machinery, equipment, and vehicles	5,680,817	5,520,590	2,959,582	2,911,812	8,640,399	8,432,402	207,997	2.5
Water and wastewater systems	-	-	24,225,458	23,689,721	24,225,458	23,689,721	535,737	2.3
Stormwater systems	-	-	11,210,525	11,175,765	11,210,525	11,175,765	34,760	0.3
Total	173,959,970	170,535,803	44,844,761	41,317,313	218,804,731	211,853,116	6,951,615	3.3
Accumulated depreciation	(34,002,557)	(32,224,122)	(16,953,037)	(15,919,573)	(50,955,594)	(48,143,695)	(2,811,899)	5.8
	<u>\$ 139,957,413</u>	<u>\$ 138,311,681</u>	<u>\$ 27,891,724</u>	<u>\$ 25,397,740</u>	<u>\$ 167,849,137</u>	<u>\$ 163,709,421</u>	<u>\$ 4,139,716</u>	2.5 %

Additional information on the Town's capital assets can be found in Note 4 on pages 37 through 39 of this report.

**Town of Medley, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2016**

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**Long-term obligations.** At year end, the Town had \$11,095,468 in notes outstanding versus \$12,041,469 last year. Repayments of debt amounted to \$946,001. Included in long-term obligations of the governmental fund and proprietary fund types are \$769,821 and \$207,596 in accrued compensated absence liabilities and \$2,493,612 and \$369,273 in accrued other post-employment benefits liabilities, respectively.

The following table reports long-term obligation balances at September 30, 2016 and 2015:

	<b>Governmental Activities</b>			<b>Balance September 30, 2016</b>
	<b>Balance October 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	
Notes payable	\$ 7,872,110	\$ -	\$ 712,727	\$ 7,159,383
Compensated absences	755,060	14,761	-	769,821
Other post employment benefits	1,893,508	833,820	233,716	2,493,612
	<u>\$ 10,520,678</u>	<u>\$ 848,581</u>	<u>\$ 946,443</u>	<u>\$ 10,422,816</u>
	<b>Business-Type Activities</b>			
	<b>Balance October 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30, 2016</b>
Notes payable	\$ 4,169,359	\$ -	\$ 233,274	\$ 3,936,085
Compensated absences	181,400	26,196	-	207,596
Other post employment benefits	347,552	30,180	8,459	369,273
	<u>\$ 4,698,311</u>	<u>\$ 56,376</u>	<u>\$ 241,733</u>	<u>\$ 4,512,954</u>

Additional information on the Town's long-term debt can be found in Note 9 on pages 51 to 54 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Over the past several years, the Town has experienced losses in ad valorem tax revenue. Between the economic recession that has resulted in lower property values and voter-approved constitutional amendments, the Town's taxable value has decreased by approximately 2% since 2009.

The operating millage for the fiscal year ending September 30, 2017, is stated at 5.5000 mills. This represents a 7% increase over the rolled back rate and is lower than the 2016 millage rate of 5.5791 mills. Since 2003, the Town has been able to reduce millage by 42% from 7.8000 mills to 5.5000 mills.

The general fund's total 2017 departmental expenditures are budgeted at \$15,648,498 which is \$939,626 more than fiscal 2016 actual expenditures.

**Town of Medley, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2016**

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In fiscal year 2017, the Town has budgeted \$13.3 million in capital projects: \$5.1 million from the general fund and the balance from the water and stormwater utilities. Major projects include NW South River Drive eastside roadway, water, and drainage improvements; NW 89<sup>th</sup> Avenue and NW 93<sup>rd</sup> Street roadway and drainage improvements; Miami Canal seawall improvements; and several other major projects.

The Town is currently pursuing the annexation of additional lands from Miami-Dade County. Other municipalities have expressed interest in annexing the same lands as the Town. The Town has recently resubmitted its annexation applications to the County based upon a four-city annexation agreement. Miami-Dade County has indicated that it will revisit the issue and study the applications as resubmitted. There is no time table to complete the process.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Roy Danziger, Finance Director, Town of Medley, Florida.

**Town of Medley, Florida**  
**Government-Wide Statement of Net Position**  
**September 30, 2016**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,505,081	\$ 11,197,056	\$ 17,702,137
Investments	6,756,088	5,799,804	12,555,892
Receivables, net	547,888	848,711	1,396,599
Internal balances	1,419,681	(1,419,681)	-
Prepaid expenses	85,296	-	85,296
Notes receivable	-	125,113	125,113
	<u>15,314,034</u>	<u>16,551,003</u>	<u>31,865,037</u>
Restricted assets			
Cash and cash equivalents	128,859	807,246	936,105
Investments	1,545,540	-	1,545,540
Total restricted assets	<u>1,674,399</u>	<u>807,246</u>	<u>2,481,645</u>
Capital assets			
Capital assets not being depreciated	110,740,850	5,025,887	115,766,737
Capital assets being depreciated, net	29,216,563	22,865,837	52,082,400
Total capital assets	<u>139,957,413</u>	<u>27,891,724</u>	<u>167,849,137</u>
Total assets	<u>156,945,846</u>	<u>45,249,973</u>	<u>202,195,819</u>
<b>Deferred Outflows</b>			
Deferred outflows related to pensions	<u>2,356,187</u>	<u>437,084</u>	<u>2,793,271</u>
<b>Liabilities</b>			
Liabilities			
Accounts payable and accrued liabilities	1,072,228	1,663,378	2,735,606
Liabilities payable from restricted assets	-	417,247	417,247
Long-term obligations			
Due within one year	725,779	241,105	966,884
Due after one year	9,697,037	4,271,849	13,968,886
Net pension liability	4,020,626	961,906	4,982,532
Total liabilities	<u>15,515,670</u>	<u>7,555,485</u>	<u>23,071,155</u>
<b>Deferred Inflows</b>			
Unearned revenue	152,947	-	152,947
Refundable advances	-	133,979	133,979
Deferred developer fees	-	98,749	98,749
Deferred inflows related to pensions	1,848,587	407,172	2,255,759
Total deferred inflows	<u>2,001,534</u>	<u>639,900</u>	<u>2,641,434</u>
<b>Net Position</b>			
Investment in capital assets, net of related debt	132,798,030	23,955,639	156,753,669
Restricted	1,774,725	-	1,774,725
Unrestricted	<u>7,212,074</u>	<u>13,536,033</u>	<u>20,748,107</u>
Total net position	<u>\$ 141,784,829</u>	<u>\$ 37,491,672</u>	<u>\$ 179,276,501</u>

The Notes to Financial Statements are an integral part of these statements.

**Town of Medley, Florida**  
**Government-Wide Statement of Activities**  
**September 30, 2016**

Functions/Programs	Total Expenses	Program Revenues			Net Revenue (Expense) and		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 5,838,843	\$ 4,250,037	\$ -	\$ -	\$ (1,588,806)	\$ -	\$ (1,588,806)
Public safety	7,703,913	695,340	2,639	-	(7,005,934)	-	(7,005,934)
Physical environment	1,441,639	-	-	-	(1,441,639)	-	(1,441,639)
Human services	1,498,662	-	-	-	(1,498,662)	-	(1,498,662)
Culture and recreation	824,658	-	-	-	(824,658)	-	(824,658)
Interest on long-term obligations	168,872	-	-	-	(168,872)	-	(168,872)
Total governmental activities	<u>17,476,587</u>	<u>4,945,377</u>	<u>2,639</u>	<u>-</u>	<u>(12,528,571)</u>	<u>-</u>	<u>(12,528,571)</u>
Business-type activities							
Water and wastewater utility	5,492,426	5,280,341	90,790	255,000	-	133,705	133,705
Stormwater utility	2,043,733	2,237,465	-	150,000	-	343,732	343,732
Medley Lakeside Retirement Park	405,757	187,479	-	-	-	(218,278)	(218,278)
Police gun range	252,792	237,462	-	-	-	(15,330)	(15,330)
Total business-type activities	<u>8,194,708</u>	<u>7,942,747</u>	<u>90,790</u>	<u>405,000</u>	<u>-</u>	<u>243,829</u>	<u>243,829</u>
	<u>\$ 25,671,295</u>	<u>\$ 12,888,124</u>	<u>\$ 93,429</u>	<u>\$ 405,000</u>	<u>(12,528,571)</u>	<u>243,829</u>	<u>(12,284,742)</u>
		General Revenues					
		Ad valorem taxes			9,550,304	-	9,550,304
		Utility taxes			1,373,944	-	1,373,944
		Other general taxes			522,641	-	522,641
		Intergovernmental			213,649	-	213,649
		Franchise fees			981,134	-	981,134
		Investment earnings			89,650	118,921	208,571
		Miscellaneous			116,908	-	116,908
		Transfers			(204,422)	204,422	-
		Total general revenues			<u>12,643,808</u>	<u>323,343</u>	<u>12,967,151</u>
		Change in net position			115,237	567,172	682,409
		Net position, beginning of year			<u>141,669,592</u>	<u>36,924,500</u>	<u>178,594,092</u>
		Net position, end of year			<u>\$ 141,784,829</u>	<u>\$ 37,491,672</u>	<u>\$ 179,276,501</u>

The Notes to Financial Statements are an integral part of these statements.

**Town of Medley, Florida**  
**Governmental Funds**  
**Balance Sheet**  
**September 30, 2016**

	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 6,411,651	\$ -	\$ 93,430	\$ 6,505,081
Investments	6,756,088	-	-	6,756,088
Receivables, net	547,888	-	-	547,888
Due from other funds	1,433,371	-	-	1,433,371
Prepaid expenses	85,296	-	-	85,296
Restricted assets				
Cash and cash equivalents	-	128,859	-	128,859
Investments	-	1,545,540	-	1,545,540
	<u>\$ 15,234,294</u>	<u>\$ 1,674,399</u>	<u>\$ 93,430</u>	<u>\$ 17,002,123</u>
<b>Liabilities, Deferred Inflows, and Fund Equity</b>				
Liabilities				
Accounts payable and accrued liabilities	\$ 1,007,518	\$ 63,712	\$ 998	\$ 1,072,228
Due to other funds	-	279	13,411	13,690
Total liabilities	<u>1,007,518</u>	<u>63,991</u>	<u>14,409</u>	<u>1,085,918</u>
Deferred inflows – unearned revenue	<u>152,947</u>	<u>-</u>	<u>-</u>	<u>152,947</u>
Fund equity				
Fund balance				
Nonspendable	85,296	-	-	85,296
Restricted	-	1,610,408	-	1,610,408
Committed	-	-	79,021	79,021
Assigned	6,000,000	-	-	6,000,000
Unassigned	7,988,533	-	-	7,988,533
Total fund equity	<u>14,073,829</u>	<u>1,610,408</u>	<u>79,021</u>	<u>15,763,258</u>
Total liabilities, deferred inflows, and fund equity	<u>\$ 15,234,294</u>	<u>\$ 1,674,399</u>	<u>\$ 93,430</u>	<u>\$ 17,002,123</u>

Continued

**Town of Medley, Florida**  
**Governmental Funds**  
**Balance Sheet**  
**September 30, 2016**

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position:	
Total fund balance – total governmental funds	\$ 15,763,258
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$173,959,970, net of accumulated depreciation of \$34,002,557, are not financial resources and, therefore, are not reported in the funds.	139,957,413
Long-term obligations of \$10,422,816 are not due and payable in the current period and are not reported in the funds.	(10,422,816)
On the statement of net position, the Town's net pension liability for the defined benefit pension plans of the Town is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows of resources related to pensions are also reported.	
Net pension liability	(4,020,626)
Deferred outflows related to pensions	2,356,187
Deferred inflows related to pensions	<u>(1,848,587)</u>
Net position of governmental activities	<u>\$ 141,784,829</u>

**Town of Medley, Florida**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Year Ended September 30, 2016**

	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Ad valorem taxes	\$ 9,550,304	\$ -	\$ -	\$ 9,550,304
Utility taxes	1,373,944	-	-	1,373,944
Other general taxes	859,371	-	-	859,371
Intergovernmental	216,288	-	-	216,288
Permits, fees, and licenses	4,894,441	-	-	4,894,441
Fines and forfeitures	366,075	66,032	-	432,107
User charges	260,798	-	-	260,798
Miscellaneous	162,434	17,286	29,273	208,993
Total revenues	<u>17,683,655</u>	<u>83,318</u>	<u>29,273</u>	<u>17,796,246</u>
<b>Expenditures</b>				
Current operating:				
General government	4,259,657	-	-	4,259,657
Public safety	6,926,665	157,043	-	7,083,708
Physical environment	1,324,894	-	-	1,324,894
Human services	1,447,662	-	-	1,447,662
Culture and recreation	749,994	-	26,046	776,040
Capital outlay	3,181,675	481,530	-	3,663,205
Debt service	881,599	-	-	881,599
Total expenditures	<u>18,772,146</u>	<u>638,573</u>	<u>26,046</u>	<u>19,436,765</u>
Excess (deficit) of revenues over expenditures	<u>(1,088,491)</u>	<u>(555,255)</u>	<u>3,227</u>	<u>(1,640,519)</u>
<b>Other financing uses</b>				
Operating transfers – out	(204,422)	-	-	(204,422)
Total other financing uses	<u>(204,422)</u>	<u>-</u>	<u>-</u>	<u>(204,422)</u>
Excess (deficit) of revenues over expenditures and other financing uses	(1,292,913)	(555,255)	3,227	(1,844,941)
<b>Fund balances,</b>				
Beginning of year	<u>15,366,742</u>	<u>2,165,663</u>	<u>75,794</u>	<u>17,608,199</u>
End of year	<u>\$ 14,073,829</u>	<u>\$ 1,610,408</u>	<u>\$ 79,021</u>	<u>\$ 15,763,258</u>

Continued

**Town of Medley, Florida**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Year Ended September 30, 2016**

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Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:	
Net change in fund balances – total governmental funds	(1,844,941)
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 are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$3,663,205 exceeded depreciation of \$2,009,410 in the current period.	1,653,795
Loss on disposal of capital assets decrease net position in the statement of activities, but do not appear in the governmental funds because it is not a loss of financial resources.	(8,063)
Change in long-term compensated absences recognized in statement of activities, not recognized as expenditures.	(14,761)
Change in other post employment benefits liability recognized in statement of activities, not recognized as expenditures.	(600,104)
Repayment of notes payable is reported as an expenditure in governmental funds and, thus, has an effect on fund balance because current financial resources have been used for the Town as a whole; however, the principal payments reduce liabilities in the statement of net position and do not result in expense in the statement of activities.	712,727
Contributions made to the pension plan are shown as an expenditure in governmental funds and, thus has an effect on fund balance because current financial resources have been used for the Town as a whole; however, the contributions reduce net pension liability in the statement of net position and do not result in expense in the statement of activities.	1,823,250
In the statement of activities, pension expense is recorded for the collective pension expense of the defined benefit plans of the Town. Also included in pension expense are amounts required to be amortized from pension-related deferred inflows and outflows.	<u>(1,606,666)</u>
Change in net position of governmental activities	<u>\$ 115,237</u>

**Town of Medley, Florida**  
**Proprietary Funds**  
**Statement of Net Position**  
**September 30, 2016**

	<b>Major Funds</b>			<b>Total</b>
	<b>Water and Wastewater Fund</b>	<b>Stormwater Utility Fund</b>	<b>Other Proprietary Funds</b>	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 5,839,392	\$ 5,100,676	\$ 256,988	\$ 11,197,056
Investments	3,195,835	2,603,969	-	5,799,804
Receivables, net	753,452	80,650	14,609	848,711
Due from other funds	36,840	-	-	36,840
Current portion of notes receivable	5,186	-	-	5,186
Total current assets	<u>9,830,705</u>	<u>7,785,295</u>	<u>271,597</u>	<u>17,887,597</u>
<b>Noncurrent assets</b>				
<b>Restricted assets</b>				
Cash and cash equivalents	665,900	141,346	-	807,246
Total restricted assets	<u>665,900</u>	<u>141,346</u>	<u>-</u>	<u>807,246</u>
<b>Non-restricted assets</b>				
Notes receivables, less current portion	119,927	-	-	119,927
Capital assets, net	17,064,345	10,679,451	147,928	27,891,724
Total non-restricted assets	<u>17,184,272</u>	<u>10,679,451</u>	<u>147,928</u>	<u>28,011,651</u>
Total noncurrent assets	<u>17,850,172</u>	<u>10,820,797</u>	<u>147,928</u>	<u>28,818,897</u>
Total assets	<u>27,680,877</u>	<u>18,606,092</u>	<u>419,525</u>	<u>46,706,494</u>
<b>Deferred Outflows</b>				
Related to pensions	280,352	131,525	25,207	437,084
Total deferred outflows	<u>280,352</u>	<u>131,525</u>	<u>25,207</u>	<u>437,084</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	1,042,343	594,715	26,320	1,663,378
Due to other funds	1,382,794	56,128	17,599	1,456,521
Liabilities payable from restricted assets				
Utility deposits	417,247	-	-	417,247
Current portion of notes payable	109,759	131,346	-	241,105
Total current liabilities	<u>2,952,143</u>	<u>782,189</u>	<u>43,919</u>	<u>3,778,251</u>
<b>Long-term obligations</b>				
Notes payable, net of current portion	1,167,841	2,527,139	-	3,694,980
Compensated absences	129,804	55,178	22,614	207,596
Other post employment benefits	303,413	57,569	8,291	369,273
Net pension liability	616,980	289,453	55,473	961,906
Total long-term debt	<u>2,218,038</u>	<u>2,929,339</u>	<u>86,378</u>	<u>5,233,755</u>
Total liabilities	<u>5,170,181</u>	<u>3,711,528</u>	<u>130,297</u>	<u>9,012,006</u>
<b>Deferred Inflows</b>				
Related to pensions	261,166	122,524	23,482	407,172
Refundable advances	-	133,979	-	133,979
Deferred developer fees	88,749	10,000	-	98,749
Total deferred inflows	<u>349,915</u>	<u>266,503</u>	<u>23,482</u>	<u>639,900</u>
<b>Net Position</b>				
Investment in capital assets, net of related debt	15,786,745	8,020,966	147,928	23,955,639
Assigned	6,654,388	6,738,620	143,025	13,536,033
Total net position	<u>\$ 22,441,133</u>	<u>\$ 14,759,586</u>	<u>\$ 290,953</u>	<u>\$ 37,491,672</u>

The Notes to Financial Statements are an integral part of these statements.

**Town of Medley, Florida**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended September 30, 2016**

	<u>Major Funds</u>			<u>Total</u>
	<u>Water and Wastewater Fund</u>	<u>Stormwater Utility Fund</u>	<u>Other Proprietary Funds</u>	
Operating revenues				
User charges	\$ 5,106,720	\$ 2,233,934	\$ 416,672	\$ 7,757,326
Service and hook-up charges	116,739	-	-	116,739
Miscellaneous other	56,882	3,531	8,269	68,682
Total operating revenue	<u>5,280,341</u>	<u>2,237,465</u>	<u>424,941</u>	<u>7,942,747</u>
Operating expenses				
Salaries, wages and employee benefits	1,389,377	630,711	199,524	2,219,612
Contractual services, materials, and supplies	3,436,143	1,001,909	430,531	4,868,583
Depreciation and amortization	647,519	357,451	28,494	1,033,464
Total operating expenses	<u>5,473,039</u>	<u>1,990,071</u>	<u>658,549</u>	<u>8,121,659</u>
Operating income (loss)	<u>(192,698)</u>	<u>247,394</u>	<u>(233,608)</u>	<u>(178,912)</u>
Non-operating revenues (expenses)				
Grants	90,790	150,000	-	240,790
Interest income	70,435	47,269	1,217	118,921
Interest expense	(19,387)	(53,662)	-	(73,049)
Total non-operating revenues	<u>141,838</u>	<u>143,607</u>	<u>1,217</u>	<u>286,662</u>
Income (loss) before other revenues and operating transfers	<u>(50,860)</u>	<u>391,001</u>	<u>(232,391)</u>	<u>107,750</u>
Other revenues and operating transfers				
Capital contributions	255,000	-	-	255,000
Operating transfers-in	-	-	204,422	204,422
Total other revenues and operating transfers	<u>255,000</u>	<u>-</u>	<u>204,422</u>	<u>459,422</u>
Net income (loss)	204,140	391,001	(27,969)	567,172
Net position				
Beginning of year	<u>22,236,993</u>	<u>14,368,585</u>	<u>318,922</u>	<u>36,924,500</u>
End of year	<u>\$ 22,441,133</u>	<u>\$ 14,759,586</u>	<u>\$ 290,953</u>	<u>\$ 37,491,672</u>

The Notes to Financial Statements are an integral part of these statements.

**Town of Medley, Florida**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended September 30, 2016**

	<b>Major Funds</b>			<b>Total</b>
	<b>Water and Wastewater Fund</b>	<b>Stormwater Utility Fund</b>	<b>Other Proprietary Funds</b>	
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 5,231,779	\$ 2,305,680	\$ 419,396	\$ 7,956,855
Payments to suppliers	(3,294,248)	(389,938)	(421,001)	(4,105,187)
Payments to employees	(1,388,030)	(561,005)	(182,691)	(2,131,726)
Other receipts	56,882	3,531	8,269	68,682
Net cash provided by (used in) operating activities	<u>606,383</u>	<u>1,358,268</u>	<u>(176,027)</u>	<u>1,788,624</u>
<b>Cash flows from noncapital financing activities</b>				
Decrease in current liabilities payable from restricted assets	10,393	-	-	10,393
Transfers from other funds	-	-	204,422	204,422
Proceeds from operating grants	90,790	-	-	90,790
Decrease in deferred developer fees	13,000	-	-	13,000
Change in due from/to other funds	1,239,778	(90,533)	4,180	1,153,425
Net cash provided by (used in) noncapital financing activities	<u>1,353,961</u>	<u>(90,533)</u>	<u>208,602</u>	<u>1,472,030</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(2,635,232)	(887,316)	(4,900)	(3,527,448)
Contributed capital	255,000	-	-	255,000
Proceeds from capital grants	-	150,000	-	150,000
Principal reduction on notes payable	(106,898)	(67,488)	-	(174,386)
Debt service fees	-	(58,888)	-	(58,888)
Interest paid on notes payable	(35,589)	(53,662)	-	(89,251)
Net cash used in capital and related financing activities	<u>(2,522,719)</u>	<u>(917,354)</u>	<u>(4,900)</u>	<u>(3,444,973)</u>
<b>Cash flows from investing activities</b>				
Redemption of investments	766,640	-	-	766,640
Purchase of investments	(1,031,060)	(22,591)	-	(1,053,651)
Interest income received	70,435	48,104	1,217	119,756
Net cash provided by (used in) investing activities	<u>(193,985)</u>	<u>25,513</u>	<u>1,217</u>	<u>(167,255)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(756,360)</u>	<u>375,894</u>	<u>28,892</u>	<u>(351,574)</u>
<b>Cash and cash equivalents</b>				
Beginning of Year	<u>7,261,652</u>	<u>4,866,128</u>	<u>228,096</u>	<u>12,355,876</u>
End of Year	<u>\$ 6,505,292</u>	<u>\$ 5,242,022</u>	<u>\$ 256,988</u>	<u>\$ 12,004,302</u>

The Notes to Financial Statements are an integral part of these statements.

**Town of Medley, Florida**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended September 30, 2016**

	<b>Major Funds</b>			<b>Total</b>
	<b>Water and Wastewater Fund</b>	<b>Stormwater Utility Fund</b>	<b>Other Proprietary Funds</b>	
<b>Reported as follows in the statement of net position</b>				
Cash and cash equivalents	\$ 5,839,392	\$ 5,100,676	\$ 256,988	\$ 11,197,056
Restricted cash and cash equivalents	665,900	141,346	-	807,246
	<u>\$ 6,505,292</u>	<u>\$ 5,242,022</u>	<u>\$ 256,988</u>	<u>\$ 12,004,302</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ (192,698)	\$ 247,394	\$ (233,608)	\$ (178,912)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	647,519	357,451	28,494	1,033,464
Bad debt expense	50,069	220,000	-	270,069
Changes in:				
Receivables	12,179	87,776	2,724	102,679
Prepaid expenses	-	-	9,957	9,957
Notes receivable	57,087	-	-	57,087
Deferred outflows of resources	118,002	12,229	6,845	137,076
Accounts payable and accrued liabilities	91,825	391,971	(427)	483,369
Refundable advances	(60,946)	(16,030)	-	(76,976)
Compensated absences	721	12,592	12,883	26,196
Other post employment benefits	21,721	-	-	21,721
Deferred inflows of resources	261,166	122,524	23,482	407,172
Net pension liability	(400,262)	(77,639)	(26,377)	(504,278)
Net cash provided by (used in) operating activities	<u>\$ 606,383</u>	<u>\$ 1,358,268</u>	<u>\$ (176,027)</u>	<u>\$ 1,788,624</u>

The Notes to Financial Statements are an integral part of these statements.

**Town of Medley, Florida**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**September 30, 2016**

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	<b>Pension Trust Funds</b>		<b>Total</b>
	<b>General Employees' Pension Fund</b>	<b>Police Officers' Retirement Fund</b>	
<b>Assets</b>			
Investments at fair value	\$ 17,304,523	\$ 22,147,952	\$ 39,452,475
Total assets	<u>17,304,523</u>	<u>22,147,952</u>	<u>39,452,475</u>
<b>Liabilities</b>			
Accounts payable	<u>3,836</u>	<u>-</u>	<u>3,836</u>
Total liabilities	<u>3,836</u>	<u>-</u>	<u>3,836</u>
Net position restricted for pension benefits	<u>\$ 17,300,687</u>	<u>\$ 22,147,952</u>	<u>\$ 39,448,639</u>

**Town of Medley, Florida**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended September 30, 2016**

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	<b>Pension Trust Funds</b>		<b>Total</b>
	<b>General Employees' Pension Fund</b>	<b>Police Officers' Retirement Fund</b>	
<b>Additions</b>			
Contributions			
Employer	\$ 1,000,000	\$ 1,160,857	\$ 2,160,857
Employee	-	147,835	147,835
Total contributions	<u>1,000,000</u>	<u>1,308,692</u>	<u>2,308,692</u>
Investment gains, including net unrealized loss on investments	<u>1,376,386</u>	<u>1,892,371</u>	<u>3,268,757</u>
Total additions	<u>2,376,386</u>	<u>3,201,063</u>	<u>5,577,449</u>
<b>Deductions</b>			
Benefit payments	810,015	973,409	1,783,424
Administrative expense	25,394	34,180	59,574
Total deductions	<u>835,409</u>	<u>1,007,589</u>	<u>1,842,998</u>
Change in net position	1,540,977	2,193,474	3,734,451
<b>Net position restricted for pension benefits</b>			
Beginning of year	<u>15,759,710</u>	<u>19,954,478</u>	<u>35,714,188</u>
End of year	<u>\$ 17,300,687</u>	<u>\$ 22,147,952</u>	<u>\$ 39,448,639</u>

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Nature of Operations

The Town of Medley, Florida (the "Town") was incorporated under Chapter 165 of the Florida Statutes. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture and recreation, public works, improvements, planning and zoning, and general administrative services.

The Town complies with accounting principles generally accepted in the United States of America. The Town's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting principles are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended September 30, 2016.

### B. Financial Reporting Entity

The Town is a Florida municipal corporation with a five-member Town Council comprised of the Mayor and four Councilpersons. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town (the primary government) and its component unit (an entity for which the Town is considered to be financially accountable). Blended component units, although legally separate entities, are in substance part of the Town's operations, and the Town Council is its governing body. Therefore, data from these units are combined with data of the primary government. The Town has no component units that require discrete presentation. Using the criteria of GASB Statement No. 61, management determined the following component unit should be blended:

Town of Medley Foundation, Inc.

The Foundation was established by the Town Council who still sits as the Foundation's Board of Directors. The Foundation received a 501(c)(3) classification from the Internal Revenue Service. The Foundation receives donations from residents or businesses and uses these funds as determined by the Board of Directors. The Town provides management and accounting services to the Foundation at no charge. The Foundation does not prepare an annual budget. The Foundation is accounted for as a special revenue fund in these financial statements.

### C. 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund 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 charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**D. 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 and fiduciary 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 revenue 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 60 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, as well as expenditures for claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *law enforcement trust fund* is a special revenue fund used to account for the resources accumulated from the sale of forfeited property and other public safety fines. All proceeds are to be used for law enforcement purposes only.

The government reports the following major proprietary funds:

The *water and wastewater fund* accounts for the activities of the Town's water and wastewater utility systems.

The *stormwater utility fund* accounts for the activities of the stormwater utility system.

Additionally, the government reports the following fund types:

The *special revenue fund* is used to account for the proceeds of a specific revenue source that is legally restricted to expenditures for specific purposes. The Town uses this fund to account for the activities of the Town of Medley Foundation, Inc.

*Enterprise funds* are used to account for operations that are financed and operated similar to private business enterprises. The Town has two nonmajor enterprise funds: Medley Lakeside Retirement Park fund and police gun range fund.

The *pension trust funds* account for the activities of the Town's general employees' and police officers' defined benefit plans, which accumulate resources for pension benefit payments to qualified Town employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater fund and the stormwater utility fund are charges to customers for sales and services. The Town also recognizes as operating revenue the option of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## **E. Assets, Deferred Outflows, Liabilities, and Net Position or Equity**

### (1) Deposits and Investments

#### (a) Cash and Cash Equivalents

Florida Statutes provide for risk sharing collateral pools by banks and savings and loan associations. These pools collateralize local government deposits and certificates of deposit with the participating depositories. The Town's demand deposits and certificates of deposit are placed in such authorized depositories.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. At September 30, 2016, the carrying amount of the Town's deposits was \$18,638,242 and the bank balances of the Town's deposits were \$19,274,275. A portion of the bank balances was covered by federal deposit insurance and the remainder was covered by pledged collateral as required by Florida Statutes. All collateral is pledged in the Town's name and is held by a third party financial institution.

Highly liquid financial instruments with an original maturity of three months or less at the time they are purchased by the Town are considered to be cash equivalents.

(b) Restricted Assets – Cash and Cash Equivalents and Investments

Proceeds from forfeiture funds are classified as restricted in the general fund since these resources are specifically earmarked for law enforcement purposes only. Additionally, funds are classified as restricted which are held for customer utility deposits, deferred developer fees, and debt service since these resources may only be used for these specific items.

(2) Town of Medley's Investment Policies

(a) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Investing is performed in accordance with investing policies prescribed by State Statutes, Town Charter, and Town Policies for nonpension investments. Funds may be invested in (1) direct obligations of the United States Government, its agencies, or instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged, (2) Florida local government surplus funds trust funds, and (3) collateralized or insured certificates of deposit and other evidence of deposits in financial institutions.

All of the Town's nonpension investments are certificates of deposit in regional or national financial institutions.

(b) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's policy provides that to the extent practical, investments are to be matched to cash flow requirements. The Town manages interest rate risks by purchasing certificates of deposit.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investments in a single issuer.

(c) Foreign Currency Risk

Foreign currency risk is the risk that the change in exchange rates will adversely affect the fair value of an investment. The Town's general employees' pension fund and the police officers' retirement fund hold \$1,737,410 and \$2,268,118, respectively, in various foreign equities as of September 30, 2016. The foreign holdings account for approximately 10% of each fund's respective investments. The pension plans have no investment policies that limit its investment choices as it relates to foreign equities.

(d) Defined Benefit Pension Trust Policy

The Town has established defined pension trust funds for the benefit of qualified Town employees. Investment policies provide for the investment managers, who have full discretion of assets allocated to them, be subject to overall investment guidelines set out in the policies. Manager performance is reviewed by a consultant who provides reports to the governing boards. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds, and mutual funds. The plans address custodial credit risk by providing for the engagement of custodians who accept possession of securities for safekeeping; collect and disburse income; collect principal of sold, matured, or called items; and provide a periodic accounting to the Town. The general employees' pension plan presently has allocated 29% of its investments in fixed income securities, 61% in domestic equity, and 10% in international stock. The police officers' retirement fund presently has allocated 29% of its investment in fixed income securities, 61% in domestic equity, and 10% in international equities.

For the year ended September 30, 2016, the annual money weighted rate of return on plan investments, net of investment expense, was 8.69% and 9.31% for the general employees' and police officers' plans, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The plans address credit risk and concentration of credit risk with a policy that prohibits investments of more than 5% of its assets in the securities of any one issuer with the exception of the U.S. government. The policy further prohibits investment of more than 20% in any one market sector. Fixed income securities must be rated at least A. Commercial paper must be rated A1, P1.

(e) Concentrations of Credit Risk

All of the investments in the pension funds are held by the Standard Insurance Company. Within those accounts, investments which comprise 5% or more of the plans' assets at September 30, 2016, are as follows:

	<b>General Employees' Pension Plan</b>	<b>Police Officers' Retirement Fund</b>
Harbor Bond	\$ 1,355,615	\$ 3,219,108
MFS Value R5	2,748,086	-
Oakmark International I	-	2,268,118
Stable Asset Fund II	3,326,732	3,159,419
T. Rowe Price Growth Stock	2,826,315	-
Vanguard 500 Index Admiral DB	2,443,241	2,452,906
Vanguard Morgan Grwth Adml DB	-	2,459,473
Vanguard REIT Index Admiral DB	-	1,322,365
Vanguard Value Index Admiral DB	-	2,450,541
William Blair Intl growth I	875,334	-
	<u>\$ 13,575,323</u>	<u>\$ 17,331,930</u>

(3) Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” See Note 12 for details of interfund transactions, including receivables and payables at year-end.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

(4) Notes Receivable

Notes receivable consist of unsecured loans to developers for unpaid joint user assessment fees. These notes earn interest at rates consistent with current market rates and are repaid over terms ranging from three to five years. Management considers all notes receivable to be fully collectible, therefore, no allowance for doubtful accounts has been reflected in the financial statements.

(5) Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of ordinary maintenance and repairs that do not add to the value of the asset or materially extend assets’ 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 of business-type activities is included as part of the capitalized value of the assets constructed.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land and land improvements	N/A	30 – 40 years
Buildings and improvements	7 – 40 years	10 – 40 years
Infrastructure	50 years	N/A
Water, wastewater, and stormwater utility systems	N/A	12 – 50 years
Transportation equipment	5 years	5 – 10 years
Machinery and equipment	5 – 10 years	5 – 10 years

(6) Deferred Outflows 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 future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

The Town has one item that qualifies for reporting as deferred outflows of resources, reported in both the government-wide statement of financial position and the proprietary funds statement of financial position. The item is the deferred outflows related to pensions. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. Details on the composition of deferred outflows related to pensions are reported in a subsequent note.

(7) Deferred Inflows of Resources (Formerly Deferred Revenues)

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 represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The governmental funds report unearned revenue related to fees received prior to September 30, 2016, that are for fiscal year 2017 local business tax receipts and other licenses and fees. The proprietary funds report unavailable revenues from refundable advances and deferred developer fees. Refundable advances are related to advances of grant proceeds and customer charges. Deferred developer fees consist of amounts collected from Town property owners for the reimbursement to developers for the construction of water and wastewater and drainage systems. These amounts will be remitted to the developers. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. Details on the composition of deferred inflows related to pensions are reported in a subsequent note.

(8) Compensated Absences

The policy of the Town is to allow vesting of employee leave benefits with the right to receive compensation under certain conditions. The liability for accrued compensated absences in the enterprise funds is accrued in those funds. The liability for employees of governmental funds is reported only as a general long-term obligation in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations.

(9) Long-Term Obligations

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. Debt issuance costs are expensed when paid.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(10) Fund Balances – Governmental Funds

As of September 30, 2016, fund balances of the governmental funds are classified as follows:

- Nonspendable fund balance – amounts that cannot be spent because of their nature (such as prepaid items) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town Council or by an official or body to which the Town Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Council has provided otherwise in its commitment or assignment actions.

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 10% – 20% of the actual expenditures in accordance with U.S. generally accepted accounting principles (“GAAP”) and other financing sources and uses.

**F. Employee Benefit Plans**

(1) Employee Benefit Plans and Net Pension Assets

The Town provides separate defined benefit pension plans for general employees and for uniformed police officers, as well as a defined contribution plan created in accordance with Internal Revenue Code Section 401(a) for certain employees. The Town also offers an optional deferred compensation plan created in accordance with Internal Revenue Code Section 457. The 457 plan is not included in the Town's financial statements.

At September 30, 2016, the Town recorded net pension liabilities related to the General Employees' Pension Plan and the Police Officers' Retirement Plan in its government-wide statement of net position in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Please refer to Note 7 for further information.

(2) Post-Employment Benefits Other Than Pensions ("OPEB")

The Town provides post-employment benefit options for health care and dental insurance to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with Town ordinances, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). The criteria to determine eligibility include: years of service, employee age, disability due to line of duty, and whether the employee has vested in the respective retirement plan. The Town pays the entire premium for eligible employees and coverage expires upon attainment of age 65.

The Town is financing the post-employment benefits on a pay-as-you-go basis. As determined by an actuarial valuation, the Town records a net OPEB obligation in its government-wide financial statements related to the benefits. Please refer to Note 7 for further information.

**G. Stewardship, Compliance, and Accountability**

**Budgetary Information**

The following procedures are used by the Town in legally adopting the budget for the general fund:

**Legally Adopted Appropriated Budgets**

- Prior to August 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are held to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- The budget for the general fund is adopted on a basis consistent with GAAP.

There are no encumbrances outstanding at year-end. All outstanding purchase orders are canceled and appropriations lapse at that time. Therefore, the Town did not report any fund balances reserved for encumbrances at year-end.

The Town does not budget for the special revenue funds which account for the law enforcement trust fund and the Town of Medley Foundation, Inc.

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

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The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

**Legally Authorized Nonappropriated Budgets**

A legally authorized nonappropriated budget is prepared for the enterprise funds.

**H. Estimates**

The preparation of basic financial statements in accordance with the bases of accounting described in the previous paragraphs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets or liabilities at the date of the basic financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**I. Subsequent Events**

The Town has evaluated subsequent events through June 28, 2017, the date which the financial statements were available to be issued. Based upon this evaluation, the Town has determined that no subsequent events have occurred which would require disclosure in the financial statements.

**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and cash equivalents at September 30, 2016, consist of the following:

	Governmental Fund Types			Proprietary Fund Type	Total All Funds	Financial Institution Balance
	General Fund	Special Revenue Funds	Total Government Funds	Enterprise Funds		
<b>Unrestricted</b>						
Demand deposits	\$ 684,821	\$ 144	\$ 684,965	\$ 59,225	\$ 744,190	\$ 1,014,841
Money market funds	5,726,830	93,286	5,820,116	11,137,831	16,957,947	17,318,089
	<u>6,411,651</u>	<u>93,430</u>	<u>6,505,081</u>	<u>11,197,056</u>	<u>17,702,137</u>	<u>18,332,930</u>
<b>Restricted</b>						
Demand deposits	-	61,893 <sup>3</sup>	61,893	-	61,893	573,130
Money market funds	-	66,966 <sup>3</sup>	66,966	807,246 <sup>1, 2 &amp; 4</sup>	874,212	368,215
	<u>-</u>	<u>128,859</u>	<u>128,859</u>	<u>807,246</u>	<u>936,105</u>	<u>941,345</u>
Total cash and cash equivalents	<u>\$ 6,411,651</u>	<u>\$ 222,289</u>	<u>\$ 6,633,940</u>	<u>\$ 12,004,302</u>	<u>\$ 18,638,242</u>	<u>\$ 19,274,275</u>

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

Investments at September 30, 2016, consist of the following:

	Governmental Fund Types			Proprietary Fund Type	Total All Funds	Financial Institution Balance
	General Fund	Special Revenue Funds	Total Government Funds	Enterprise Funds		
Certificates of deposit:						
Unrestricted	\$ 6,756,088	\$ -	\$ 6,756,088	\$ 5,799,804	\$ 12,555,892	\$ 12,553,296
Restricted	-	1,545,540 <sup>3</sup>	1,545,540	-	1,545,540	1,537,724
Total certificates of deposit	<u>\$ 6,756,088</u>	<u>\$ 1,545,540</u>	<u>\$ 8,301,628</u>	<u>\$ 5,799,804</u>	<u>\$ 14,101,432</u>	<u>\$ 14,091,020</u>

- <sup>1</sup> Restricted for customer utility deposits
- <sup>2</sup> Restricted for debt service
- <sup>3</sup> Restricted for law enforcement
- <sup>4</sup> Restricted for deferred developer fees

**3. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS**

Receivables and due from other governments consist of the following at September 30, 2016:

	Governmental Fund	Enterprise Funds				Total
	General Fund	Water and Wastewater	Stormwater Utility	Police Gun Range	Total Enterprise	
Receivables						
User charges	\$ 26,372	\$ 781,289	\$ 183,408	\$ 20,609	\$ 985,306	\$ 1,011,678
Interest	4,178	2,163	6,242	-	8,405	12,583
Utility taxes	132,333	-	-	-	-	132,333
Franchise fees	313,248	-	-	-	-	313,248
Other	3,763	-	-	-	-	3,763
Total receivables	<u>479,894</u>	<u>783,452</u>	<u>189,650</u>	<u>20,609</u>	<u>993,711</u>	<u>1,473,605</u>
Due from other governments						
Miami-Dade County	20,290	-	-	-	-	20,290
State of Florida	53,454	-	-	-	-	53,454
Total due from other governments	<u>73,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,744</u>
Allowance for doubtful accounts	(5,750)	(30,000)	(109,000)	(6,000)	(145,000)	(150,750)
	<u>\$ 547,888</u>	<u>\$ 753,452</u>	<u>\$ 80,650</u>	<u>\$ 14,609</u>	<u>\$ 848,711</u>	<u>\$ 1,396,599</u>
Bad debt expense for the year ended September 30, 2016	<u>\$ -</u>	<u>\$ 50,069</u>	<u>\$ 220,000</u>	<u>\$ -</u>	<u>\$ 270,069</u>	<u>\$ 270,069</u>

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

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**4. CAPITAL ASSETS**

**A. Changes in Capital Assets**

Capital asset activity for the year ended September 30, 2016, was as follows:

	<b>Balance, October 1, 2015</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Transfers</b>	<b>Balance, September 30, 2016</b>
Government Activities					
Capital assets not being depreciated:					
Land	\$ 5,217,901	\$ 8,638	\$ -	\$ -	\$ 5,226,539
Infrastructure	99,894,213	-	-	-	99,894,213
Construction in progress	<u>3,492,068</u>	<u>3,100,236</u>	<u>-</u>	<u>(972,206)</u>	<u>5,620,098</u>
Total capital assets not being depreciated	<u>108,604,182</u>	<u>3,108,874</u>	<u>-</u>	<u>(972,206)</u>	<u>110,740,850</u>
Capital assets being depreciated:					
Buildings and improvements	12,945,897	294,458	(139,392)	972,206	14,073,169
Infrastructure	43,465,134	-	-	-	43,465,134
Transportation equipment	2,731,189	188,419	(98,634)	-	2,820,974
Machinery and equipment	<u>2,789,401</u>	<u>71,454</u>	<u>(1,012)</u>	<u>-</u>	<u>2,859,843</u>
Total capital assets being depreciated	61,931,621	554,331	(239,038)	972,206	63,219,120
Accumulated depreciation	<u>(32,224,122)</u>	<u>(2,009,410)</u>	<u>230,975</u>	<u>-</u>	<u>(34,002,557)</u>
Capital assets being depreciated, net	<u>29,707,499</u>	<u>(1,455,079)</u>	<u>(8,063)</u>	<u>972,206</u>	<u>29,216,563</u>
Government activities – capital assets, net	<u>\$ 138,311,681</u>	<u>\$ 1,653,795</u>	<u>\$ (8,063)</u>	<u>\$ -</u>	<u>\$ 139,957,413</u>

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

	Balance, October 1, 2015	Additions	Dispositions	Transfers	Balance, September 30, 2016
Business-type activities					
Capital assets not being depreciated:					
Land					
Water and wastewater fund	\$ 444,238	\$ 33,400	\$ -	\$ -	\$ 477,638
	<u>444,238</u>	<u>33,400</u>	<u>-</u>	<u>-</u>	<u>477,638</u>
Construction in progress					
Water and wastewater fund	582,473	2,339,112	-	(314,137)	2,607,448
Stormwater utility fund	1,089,995	885,566	-	(34,760)	1,940,801
	<u>1,672,468</u>	<u>3,224,678</u>	<u>-</u>	<u>(348,897)</u>	<u>4,548,249</u>
Total capital assets not being depreciated	<u>2,116,706</u>	<u>3,258,078</u>	<u>-</u>	<u>(348,897)</u>	<u>5,025,887</u>
Capital assets being depreciated					
Land and improvements					
Medley Lakeside Retirement Park fund	321,601	-	-	-	321,601
	<u>321,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321,601</u>
Water, wastewater, and stormwater utility systems					
Water and wastewater fund	23,689,721	221,600	-	314,137	24,225,458
Stormwater utility fund	11,175,765	-	-	34,760	11,210,525
	<u>34,865,486</u>	<u>221,600</u>	<u>-</u>	<u>348,897</u>	<u>35,435,983</u>
Buildings and improvements					
Water and wastewater fund	565,369	-	-	-	565,369
Medley Lakeside Retirement Park fund	306,547	-	-	-	306,547
Police gun range fund	229,792	-	-	-	229,792
	<u>1,101,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,101,708</u>
Transportation equipment					
Water and wastewater fund	383,700	26,763	-	-	410,463
Stormwater utility fund	424,369	-	-	-	424,369
Medley Lakeside Retirement Park fund	3,634	-	-	-	3,634
	<u>811,703</u>	<u>26,763</u>	<u>-</u>	<u>-</u>	<u>838,466</u>
Machinery and equipment					
Water and wastewater fund	1,311,117	14,357	-	-	1,325,474
Stormwater utility fund	603,921	1,750	-	-	605,671
Medley Lakeside Retirement Park fund	32,874	4,900	-	-	37,774
Police gun range fund	152,197	-	-	-	152,197
	<u>2,100,109</u>	<u>21,007</u>	<u>-</u>	<u>-</u>	<u>2,121,116</u>
Total capital assets being depreciated	<u>25,949,907</u>	<u>262,720</u>	<u>-</u>	<u>314,137</u>	<u>26,526,764</u>
Water and wastewater fund	25,949,907	262,720	-	314,137	26,526,764
Stormwater utility fund	12,204,055	1,750	-	34,760	12,240,565
Medley Lakeside Retirement Park fund	664,656	4,900	-	-	669,556
Police gun range fund	381,989	-	-	-	381,989
	<u>39,200,607</u>	<u>269,370</u>	<u>-</u>	<u>348,897</u>	<u>39,818,874</u>
Accumulated depreciation					
Water and wastewater fund	(11,899,986)	(647,519)	-	-	(12,547,505)
Stormwater utility fund	(3,144,464)	(357,451)	-	-	(3,501,915)
Medley Lakeside Retirement Park fund	(586,474)	(14,534)	-	-	(601,008)
Police gun range fund	(288,649)	(13,960)	-	-	(302,609)
Total accumulated depreciation	<u>(15,919,573)</u>	<u>(1,033,464)</u>	<u>-</u>	<u>-</u>	<u>(16,953,037)</u>
Capital assets being depreciated, net	<u>23,281,034</u>	<u>(764,094)</u>	<u>-</u>	<u>348,897</u>	<u>22,865,837</u>
Business-type activities – capital assets, net	<u>\$ 25,397,740</u>	<u>\$ 2,493,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,891,724</u>

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

**B. Depreciation Expense**

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
General government	\$ 1,450,246
Public safety	400,716
Physical environment	63,835
Human services	45,995
Culture and recreation	48,618
	<u>\$ 2,009,410</u>
Business-type activities	
Water and wastewater utility	<u>\$ 647,519</u>
Stormwater utility	<u>\$ 357,451</u>
Medley Lakeside Retirement Park	<u>\$ 14,534</u>
Police gun range	<u>\$ 13,960</u>

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of the following at September 30, 2016:

	Governmental Funds				Enterprise Funds					Total
	General Funds	Law Enforcement Trust Fund	Town of Medley Foundation, Inc.	Total Governmental	Water and Wastewater	Stormwater Utility	Medley Lakeside Retirement Park	Police Gun Range	Total Enterprise	
Vendors	\$ 609,625	\$ 63,712	\$ 998	\$ 674,335	\$ 549,312	\$ 589,916	\$ 15,513	\$ 8,107	\$ 1,162,848	\$ 1,837,183
Salaries and benefits	396,399	-	-	396,399	34,318	4,799	-	2,700	41,817	438,216
Interest	-	-	-	-	14,000	-	-	-	14,000	14,000
Other	1,494	-	-	1,494	-	-	-	-	-	1,494
DERM Taxes	-	-	-	-	444,713	-	-	-	444,713	444,713
	<u>\$ 1,007,518</u>	<u>\$ 63,712</u>	<u>\$ 998</u>	<u>\$ 1,072,228</u>	<u>\$ 1,042,343</u>	<u>\$ 594,715</u>	<u>\$ 15,513</u>	<u>\$ 10,807</u>	<u>\$ 1,663,378</u>	<u>\$ 2,735,606</u>

**6. AD VALOREM TAX REVENUES**

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the Town by Miami-Dade County on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and state law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

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Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters, which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Town. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town Council and the Miami-Dade County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2016, was 5.5791 mills (\$5.5791 per \$1,000 of taxable assessed valuation). The Town levied a millage rate of 5.5000 mills for fiscal year 2017.

**7. EMPLOYEE BENEFIT PLANS**

**A. Single Employer Defined Benefit Plans**

(1) The Town's reporting entity participates in two single employer, defined benefit, public employee retirement systems. Assets are held separately and may be used only for the payment of the members of the respective plans as follows:

- **General Employees' Pension Plan:** The Town of Medley's General Employees' Pension Plan provides retirement benefits for substantially all full-time nonsworn police officers and elected officials of the Town. General Employees' Pension Plan information in this note is provided as of the latest actuarial valuation, October 1, 2016.
- **Police Officers' Retirement Plan:** The Town of Medley's Police Officers' Retirement Plan provides retirement benefits to sworn police officers. Police Officers' Retirement Plan information in this note is provided as of the latest actuarial valuation, October 1, 2016.

Actuarial valuations are performed annually for the General Employees' Pension Plan and biannually for the Police Officers' Retirement Plan. For additional information relating to investment policy, basis of accounting, and reported investment values (see Note 1). The Town Council is responsible for establishing benefits and approving all plan amendments.

(2) Memberships of the plans are as follows as of the most recent actuarial valuation:

	<b>General Employees' Pension Plan</b>	<b>Police Officers' Retirement Plan</b>	<b>Total</b>
Active members	110	38	148
Retirees and beneficiaries currently receiving benefits	13	15	28
Terminated plan members entitled to but not yet receiving benefits	31	2	33
	<u>154</u>	<u>55</u>	<u>209</u>

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

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(3) The following is a summary of the funding policies, contribution methods, and benefit provisions:

	<b>General Employees' Pension Plan</b>	<b>Police Officers' Retirement Plan</b>
Year established and governing authority	2003 Town Resolution	2005 Town Ordinance
Determination of contribution requirements	Actuarially	Actuarially
Employer	Actuarially determined	Actuarially determined
Plan members	Noncontributory	5% of covered payrolls
Funding of administrative costs	Investment earnings	Investment earnings
Eligibility for plan membership	All employees with the exception of police officers are eligible after reaching the age of 21 and one year of service. Elected officials are eligible to enter the plan on the first April 1 or October 1 and commencement of service in their elected positions.	Employees who are classified as full-time sworn police officers shall participate in the Police Officers' Retirement Plan as a condition of employment
Period required to vest	5 years for general employees hired before 7/1/14; 8 years for general employees hired after 7/1/14; immediate for elected officials	10 years
Post-retirement benefit increases	Increases must be approved by Town Council	Increases must be approved by Town Council
Eligibility for distributions	30 years of credited service of age 62 for general employees; 8 years of credited service or age 55 for elected officials	25 years of credited service and age 52 or 10 years of credited service and age 55
Death benefits	Survivor benefit based on normal retirement date and vested account balance	Survivor benefit based on normal retirement date and vested account balance
Plan administration	Management of the plan is vested in the plan's Board of Trustees, which consist of three members. The Mayor is an ex-officio member with the other two appointed by the Mayor	Management of the plan is vested in the the Board of Trustees of the Town of Medley Police Officers' Retirement Plan.

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

(4) Annual Required Contributions

Actuarial assumptions and other information used to determine the annual required contributions ("ARC") for both plans are as follows:

	<u>General Employees' Pension Plan</u>	<u>Police Officers' Retirement Plan</u>
Provision for		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Valuation date	October 1, 2016	October 1, 2016
Actuarial cost method	Entry age	Entry age
Amortization method	N/A	Level percentage of pay, closed
Amortization period	N/A	29 years
Actuarial asset valuation method	Fair market value	Four year smooth
Actuarial assumptions:		
Mortality rate	IRS 2008+ Combined Static Mortality (dynamic) (formerly 1983 GAM) 10 years for disabled participants	RP-2000 table with no projection; 10% margin for future mortality improvements
Investment rate of return	6.50%	7.50%
Discount rate	6.50%	7.50%
Projected salary increases	3.50%	4.62% – 6.68%
Post retirement benefit increases	N/A	N/A
Inflation	3.50%	2.50%
Cost-of-living adjustments	Change in price index, 3.00% cap	1% until age 62

(5) Net Pension Liability

The components of the net pension liability at September 30, 2016, are as follows:

	<u>General Employees' Pension Plan</u>	<u>Police Officers' Retirement Plan</u>
Total pension liability	\$ 20,149,876	\$ 24,281,295
Less: Plan fiduciary net position	<u>(17,300,687)</u>	<u>(22,147,952)</u>
Net pension liability	<u>\$ 2,849,189</u>	<u>\$ 2,133,343</u>
Plan fiduciary net position as a percentage of total pension liability	<u>85.86%</u>	<u>91.21%</u>

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

The total pension liability was determined by actuarial valuations as of October 1, 2016, using the actuarial assumptions as described in Note 7.A.(4) and applied to all prior periods included in the measurement.

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 pension plan's target asset allocation as of September 30, 2016 (see the discussion of the pension plan's investment policy), are summarized in the following table:

Asset Class	General Employees' Pension Plan		Police Officers' Retirement Plan	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	30%	0.75%	15%	0.75%
Domestic equity	55%	5.75%	54%	5.75%
International equity	12%	5.75%	10%	5.75%
Real estate	0%	0.00%	6%	5.75%
Cash	3%	0.00%	15%	0.00%
	<u>100%</u>		<u>100%</u>	

The discount rate used to measure the total pension liability was 6.5% and 7.5% for the general employees' pension and police officers' retirement plans, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the Town calculated using the aforementioned discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	General Employees' Pension Plan		Police Officers' Retirement Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Benefit)
1% decrease	5.50%	\$ 5,296,516	6.50%	\$ 4,952,912
Current discount rate	6.50%	\$ 2,849,189	7.50%	\$ 2,133,343
1% increase	7.50%	\$ 798,103	8.50%	\$ (226,477)

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

For the year ended September 30, 2016, the annual money-weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	<b>General Employees' Pension Plan</b>	<b>Police Officers' Retirement Plan</b>
Annual money-weighted rate of return	8.69%	9.31%

(6) Reserves

There are no assets legally reserved for purposes other than the payment of plan members' benefits for either plan. See Note 1 for individual investments whose market value exceeds five percent or more of net position available for benefits. There are no long-term contracts for contributions.

(7) Change in Net Pension Liability

The schedule of changes in the net pension liability below provides an aggregate view of these plans for both the general employees' and police officers' retirement plans:

	<b>General Employees' Plan</b>			<b>Police Officers' Retirement Plan</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at September 30, 2015	\$ 20,063,305	\$ 15,759,710	\$ 4,303,595	\$ 22,596,242	\$ 19,954,478	\$ 2,641,764
Changes in the year						
Service cost	534,369	-	534,369	618,350	-	618,350
Interest	1,254,523	-	1,254,523	1,704,592	-	1,704,592
Differences between actual and expected	(1,077,646)	-	(1,077,646)	(362,464)	-	(362,464)
Changes in assumption	-	-	-	697,984	-	697,984
Changes in benefits	185,340	-	185,340	-	-	-
Contributions – employer	-	1,000,000	(1,000,000)	-	1,050,000	(1,050,000)
Contributions – State	-	-	-	-	110,857	(110,857)
Contributions – employee	-	-	-	-	147,835	(147,835)
Projected earnings on investments	-	1,029,946	(1,029,946)	-	1,507,877	(1,507,877)
Differences between projected and actual earnings	-	346,440	(346,440)	-	384,494	(384,494)
Benefit payments	(810,015)	(810,015)	-	(973,409)	(973,409)	-
Administrative expenses	-	(25,394)	25,394	-	(34,180)	34,180
Net change	<u>86,571</u>	<u>1,540,977</u>	<u>(1,454,406)</u>	<u>1,685,053</u>	<u>2,193,474</u>	<u>(508,421)</u>
Balance at September 30, 2016	<u>\$ 20,149,876</u>	<u>\$ 17,300,687</u>	<u>\$ 2,849,189</u>	<u>\$ 24,281,295</u>	<u>\$ 22,147,952</u>	<u>\$ 2,133,343</u>

(8) Pension Expense

For the year ended September 30, 2016, the Sponsor will recognize pension expense of \$1,138,807 and \$845,436 for the general employees' and police officers' pension plans, respectively.

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

The information below provides an aggregate view of the development of the pension expense for both the general employees' and police officers' retirement plans:

	<b>General Employees' Pension Plan</b>	<b>Police Officers' Retirement Plan</b>
Service cost incurred	\$ 534,369	\$ 618,350
Interest on total pension liability	1,254,523	1,704,592
Employee paid contribution	-	(147,835)
Plan Amendment	185,340	-
Projected earnings on investments	(1,029,946)	(1,507,877)
Administrative expenses	25,394	34,180
Recognition of deferred outflows/(inflows)	169,127	144,026
	<hr/>	<hr/>
Total pension expense	<u>\$ 1,138,807</u>	<u>\$ 845,436</u>

(9) Deferred Inflows and Outflows

On September 30, 2016, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>General Employees' Pension Plan</b>		<b>Police Officers' Retirement Plan</b>		<b>Total</b>	
	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Differences between expected and actual experience	\$ 543,438	\$ (928,900)	\$ -	\$ (605,984)	\$ 543,438	\$ (1,534,884)
Changes in assumptions	-	-	598,272	-	598,272	-
Net difference between projected and actual earnings on pension plan investments	<u>751,213</u>	<u>(277,152)</u>	<u>900,348</u>	<u>(443,723)</u>	<u>1,651,561</u>	<u>(720,875)</u>
	<u>\$ 1,294,651</u>	<u>\$ (1,206,052)</u>	<u>\$ 1,498,620</u>	<u>\$ (1,049,707)</u>	<u>\$ 2,793,271</u>	<u>\$ (2,255,759)</u>

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

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

<u>Year Ending September 30,</u>	<u>General Employees' Pension Plan</u>	<u>Police Officers' Retirement Plan</u>
2017	\$ 169,127	\$ 144,024
2018	169,127	144,024
2019	169,128	212,088
2020	(84,867)	(88,026)
2021	(148,746)	(11,128)
Thereafter	<u>(185,170)</u>	<u>47,931</u>
	<u>\$ 88,599</u>	<u>\$ 448,913</u>

(10) Calculation of Retirement Benefits

**Amount of Retirement Benefit**

(a) General Employees' Pension Plan

The participant's normal retirement benefit is determined based on the participant's job classification as follows:

**General Employees – Union & Non-Union**

The normal retirement benefit is determined as a percentage of basic monthly earnings. The percent is based on the number of years of benefit service at calculation date. Benefit service is limited to 30 years. The applicable percent, based on the following table, is multiplied by all years of service at the time the benefit is determined.

<u>Hired Prior to January 1, 2011</u>		<u>Hired From January 1, 2011 to June 30, 2014</u>	
<u>Benefit Service</u>	<u>Percent</u>	<u>Benefit Service</u>	<u>Percent</u>
0 to 10	2.00%	0 to 15	2.00%
10 to 15	2.25%	15 to 20	2.25%
15 to 30	2.50%	20 to 30	2.50%
<u>Hired After June 30, 2014</u>			
<u>Benefit Service</u>	<u>Percent</u>		
0 to 30	1.67%		

Basic monthly earnings means the average monthly compensation paid for service performed during the five-consecutive plan year period within the most recent ten years which will produce the highest average, provided the participant received compensation in each of the consecutive whole months.

**Mayor**

The normal retirement benefit is equal to one-twelfth of \$5,500 multiplied by the number of years of credited benefit service as mayor.

**Elected Council Members**

The normal retirement benefit is equal to one-twelfth of \$2,500 multiplied by the number of years of credited benefit service as a council member.

**Part-Time Employees**

The normal retirement benefit is determined based on age and years of service. There is no vesting until eligibility to retire is attained, and there is no pre-retirement benefit.

<u>Age</u>	<u>Years of Service</u>	<u>Monthly Benefit</u>	<u>Age</u>	<u>Years of Service</u>	<u>Monthly Benefit</u>
65	20	\$100	75	20	\$145
65	25	\$110	75	25	\$170
70	20	\$120	78	15	\$120
70	25	\$130	78	20	\$160
			78	25	\$210

**Benefit Limits**

Council Members' and Mayor benefits are limited to 100% of basic monthly earnings, including cost of living adjustments. General employees' benefits are limited to 75% of Basic Monthly Earnings, including cost of living adjustments.

**Normal Retirement**

For elected officials, normal retirement date is the later of (1) age 55 or (2) eight years completed years of vesting service as an elected official. Notwithstanding the above, an elected official who retires from services on or after August 3, 2010, and who has completed at least eight years of service and attained the age of 50, shall be eligible to receive an unadjusted early retirement benefit. For general employees hired before January 1, 2011, normal retirement date is the earlier of (1) age 62 or (2) 30 completed years of vesting service. For general employees hired after January 1, 2011 but before July 1, 2014, normal retirement date is the earlier of (1) age 65 or (2) 35 completed years of service. For part-time employees, effective July 1, 2015, the normal retirement date is the attainment of an age and service combination which designates eligibility for a monthly benefit.

(b) Police Officers' Retirement Plan

**Normal Retirement Date**

Earlier of: (1) age 55 and 10 years of credited service, or (2) age 52 and 25 years of credited service. Benefit: 3% of average final compensation times credited service (maximum 75% for those hired on and after October 1, 2008).

**Early Retirement**

Eligibility: Age 50 and 10 years of credited service. Benefit: Accrued benefit reduced 3% for each year prior to normal retirement.

**B. Money Purchase Plan**

All of the Town's full-time employees, except for sworn police officers hired before January 1, 2011, are required to participate in a money purchase plan and trust established under Section 401(a) of the Internal Revenue Code. The Town Council has designated The Standard Insurance Company ("Standard") as administrator of the plan, to hold the trust assets and to perform all nondiscretionary functions necessary for the administration of the plan with respect to assets in the plans deposited with the trust. Effective July 31, 2014, all of the Town's full-time employees, except for sworn police officers, are eligible to participate in the plan.

Employees and executives are eligible to participate from the date of their employment; Council persons are eligible when they begin to serve their elected term, regardless of hire date.

As of September 30, 2016, there were 65 active participants in the money purchase plan.

Funding Provisions – Participating plan members can voluntarily contribute a percentage of their annual compensation to the plan, and the Town is required to match 5%, regardless of employee contributions.

Vesting Provision of Town's Contributions – Under the provisions of the defined contribution money purchase plan, benefits attributable to the Town's contributions vest immediately as of the entry date into the new plan.

Employees, executives, and Council persons are always 100% vested as to benefits attributable to their contributions to their accounts.

Under the provisions of each plan, employees, executives, and Council persons are eligible for normal retirement at the age of 55.

During the year, the Town contributed \$167,061 to the money purchase plan.

**C. Deferred Compensation Plan**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen non-reimbursed emergency. The assets of the plan are held in trust by Standard and, as such, are not recorded in the financial statements.

**D. Post-Employment Benefits Other Than Pension**

(1) Plan Description

The Town provides post-employment benefit options for health care and dental insurance to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with Town ordinances, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”). The criteria to determine eligibility include: years of service, employee age, disability due to line of duty, and whether the employee has vested in the respective retirement plan. Eligible employees must retire from the Town and have 30 years of employment regardless of age, 20 years of employment and be at least 55 years old or 10 years of employment and be at least 62 years old. The Town pays the entire premium for these eligible employees and coverage expires upon attainment of age 65.

(2) Funding Policy

The Town is financing the post-employment benefits on a pay-as-you-go basis. For fiscal year 2016, 21 retirees and dependents received health care benefits. Annual required contributions amounted to approximately \$864,000 for the current fiscal year, towards which the Town made a contribution of approximately \$242,000.

At September 30, 2016, the Town recorded net OPEB obligations of \$2,493,612 for governmental activities and \$369,273 for business-type activities in its government-wide statement of net position. The water and wastewater, stormwater utility, and police gun range reported net OPEB obligations at September 30, 2016, of \$303,413, \$57,569, and \$8,291, respectively. The OPEB obligation is a function of annual required contributions, interest, adjustments to the annual required contributions, annual pension costs, and actual employers’ contributions made to the plan.

(3) Annual OPEB Cost and Net OPEB Obligation

The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation to the retiree health plan (rounded):

Annual required contribution	\$ 870,000
Interest on net OPEB obligation	45,000
Adjustment to annual required contributions	<u>(51,000)</u>
Annual OPEB cost (expense)	864,000
Employer contributions	<u>(242,000)</u>
Increase in net OPEB obligation	622,000
Net OPEB obligation, beginning of year	<u>2,242,000</u>
Net obligation, end of year	<u><u>\$ 2,864,000</u></u>

No trust or agency fund has been established for the plan.

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2016, and the preceding three years were as follows (rounded):

<u>Year Ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributions</u>	<u>Net OPEB Obligations</u>
2016	\$ 864,000	28.0%	\$ 2,864,000
2015	864,000	27.5%	2,242,000
2014	864,000	28.4%	1,616,000
2013	360,000	60.3%	997,000
2012	360,000	42.8%	855,000

(4) Funded Status and Funding Progress

As of October 1, 2013, the date of the most recent actuarial valuation, the unfunded actuarial accrued liability for benefits was \$8,572,003, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,976,122, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 172.3%. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the October 1, 2013, actuarial valuation, the entry age cost method was used. The ARC reflects a 30-year, level amortization of the unfunded actuarial accrued liability ("AAL"). The actuarial assumptions included 3% projected salary increases. Annual medical costs are assumed to increase 7.5% in the first year of valuation, with 0.5% decreases annually assumed to grade uniformly to 4.5% in 2019 and remain at 4.5% thereafter.

**8. OPERATING LEASES**

As Lessor – The Town operates a police gun range which is available for rent to other law enforcement agencies in the area on a day-to-day basis. In the fiscal year ended September 30, 2016, the Town received \$229,722 in rental income from the gun range.

In addition, the Town subleases mobile home sites to qualified individuals in the Town's mobile home park on an annual basis. Tenants of the mobile home park are required to be qualified low-income individuals. In the fiscal year ended September 30, 2016, the Town received \$186,950 in rental income from these sites.

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

**As Lessee** – The Town leases approximately five acres of land from Lowell Dunn Company for the site of the police gun range on a year-to-year basis for \$10 a year.

The Town leases approximately 300 square feet of office space and two parking spaces at the Medley fire station. The lease is for a period of 99 years, for a total rental of \$99 paid in advance.

The Town entered into a ground lease with Our Security Corporation on April 1, 1989. The land was subsequently improved for a mobile home park. The lease has an initial term of 20 years with options to renew for three successive periods of 20 each, at fair rental value on the date of renewal and the initial term was extended to March 2029. The lease agreement provides for rental increases annually based on the Consumer Price Index U.S. City Average for All Urban Consumers (CPI-U 1982-84 = 100).

The following is a schedule of future payments under this lease (using an estimated 3% CPI-U rate increase each year):

<u>Year Ending September 30,</u>	<u>Minimum Lease Payments</u>	<u>Estimated Contingent Rentals</u>	<u>Estimated Total Amount</u>
2017	\$ 60,000	\$ 60,193	\$ 120,193
2018	60,000	63,799	123,799
2019	60,000	67,513	127,513
2020	60,000	71,338	131,338
2021	60,000	75,278	135,278
2022 – 2026	300,000	439,753	739,753
2027 – 2029	150,000	263,587	413,587
	<u>\$ 750,000</u>	<u>\$ 1,041,461</u>	<u>\$ 1,791,461</u>

Total fiscal 2016 rental expenditures under the ground lease were \$120,966 including \$60,966 of contingent rentals.

Total rents under all operating leases, including short-term, month-to-month rentals, were \$141,058 for the year ended September 30, 2016.

**9. LONG-TERM OBLIGATIONS**

**A. Governmental Fund Type Long-Term Obligations**

Changes in governmental fund type long-term obligations for the year ended September 30, 2016, are as follows:

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2016</u>
Notes payable	\$ 7,872,110	\$ -	\$ 712,727	\$ 7,159,383
Compensated absences	755,060	14,761	-	769,821
Other post employment benefits	1,893,508	833,820	233,716	2,493,612
	<u>\$ 10,520,678</u>	<u>\$ 848,581</u>	<u>\$ 946,443</u>	<u>\$ 10,422,816</u>

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

A summary of debt service (annual principal and interest) requirements to maturity for all governmental fund type outstanding obligations are as follows:

<u>Fiscal Year</u>	<u>Governmental Fund Type</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 725,779	\$ 149,317	\$ 875,096
2018	739,135	133,125	872,260
2019	752,805	116,621	869,426
2020	766,787	99,804	866,591
2021	750,238	82,884	833,122
2022 – 2026	2,800,139	831,242	3,631,381
2027 – 2031	624,500	25,062	649,562
	<u>\$ 7,159,383</u>	<u>\$ 1,438,055</u>	<u>\$ 8,597,438</u>

Compensated absences and other post-employment benefits are not included in the above table as the maturities are indeterminable.

Description of governmental fund type long-term obligations:

Note payable – TD Bank Capital Improvement Refunding Revenue Note Series 2010A, principal payments of \$12,500 plus variable interest of 69% of one-month LIBOR (2.13%) at September 30, 2016, subject to adjustment monthly through December 2030, collateralized by non-ad valorem revenues of the Town.	\$ 2,124,500
Note payable – TD Bank Capital Improvement Refunding Revenue Note Series 2014, payments of \$54,634 including fixed interest at 2.33% through December 2024, collateralized by non-ad valorem revenues of the Town.	4,916,363
Note payable – TD Bank Public Improvement Revenue Note Series 2013, monthly \$2,553 including fixed interest at 1.64% through September 2020, collateralized by pledged revenues of the Town.	<u>118,520</u>
	<u>\$ 7,159,383</u>

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

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**B. Proprietary Fund Type Long-Term Obligations**

Promissory notes and other long-term obligations directly related to and intended to be paid from the proprietary funds are included in the accounts of such funds.

Changes in proprietary fund type long-term obligations for the year ended September 30, 2016, are as follows:

	<b>Balance October 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, September 30, 2016</b>
Notes payable	\$ 4,169,359	\$ -	\$ 233,274	\$ 3,936,085
Compensated absences	181,400	26,196	-	207,596
Other post employment benefits	347,552	30,180	8,459	369,273
	<u>\$ 4,698,311</u>	<u>\$ 56,376</u>	<u>\$ 241,733</u>	<u>\$ 4,512,954</u>

Description of proprietary fund type long-term obligations:

Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.7% annum (Phase 1) and 2.8% per annum (Phase 2), payable in semi-annual principal and interest payments of \$43,025 on November 15 and May 15 through May 15, 2024, uncollateralized.	\$ 614,023
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.05% annum (Phase 1) and 2.54% per annum (Phase 2), payable in semi-annual principal and interest payments of \$28,218 on October 15 and April 15 through April 15, 2030, uncollateralized.	663,577
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 1.95% annum, payable in semiannual principal and interest payments of \$90,019 on March 15 and September 15 through March 15, 2034, uncollateralized.	<u>2,658,485</u>
	<u>\$ 3,936,085</u>

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

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A summary of debt service (annual principal and interest) requirements to maturity for all proprietary fund type outstanding obligations are as follows:

<b>Fiscal Year</b>	<b>Proprietary Fund Type</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2017	\$ 241,105	\$ 81,419	\$ 322,524
2018	246,615	75,909	322,524
2019	252,257	70,267	322,524
2020	258,030	64,494	322,524
2021	263,938	58,587	322,525
2022 – 2026	1,237,605	288,966	1,526,571
2027 – 2031	1,042,840	83,091	1,125,931
2032 – 2034	393,695	56,398	450,093
	<u>\$ 3,936,085</u>	<u>\$ 779,131</u>	<u>\$ 4,715,216</u>

Interest costs incurred in enterprise funds during construction are capitalized, net of interest income from the proceeds of related tax-exempt debt, if any, as part of the cost of the related assets of the water and wastewater and stormwater funds. Total interest cost incurred were \$19,387 and \$53,662 in the water and wastewater and stormwater funds, respectively, for the year ended September 30, 2016. There was no capitalized interest in the water and wastewater or stormwater funds.

**10. 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; injuries to employees; and natural disasters. The Town has obtained insurance from commercial underwriters for all the aforementioned risks, including workers' compensation, for the year ended September 30, 2016.

In the event that the federal government declares a disaster for an event which causes damages in the Town, the federal government, in conjunction with the State of Florida, will reimburse the Town for eligible and approved expenses in excess of any applicable insurance reimbursements. See Note 11(D).

The Town has not paid any settlements in excess of insurance coverage for each of the past three years. Furthermore, the Town has no significant reduction in insurance coverage from the prior year.

**11. COMMITMENTS AND CONTINGENCIES**

**A. Litigation and Other Matters**

During the ordinary course of its operations, the Town is party to various claims, legal actions, and complaints. Some of these matters are covered by the Town's insurance program. Those which are not covered are handled by various law firms and professionals retained by the Town. Management does not believe that any such matters would have a material impact on the Town's financial statements.

**B. Capital Asset Acquisition Commitments and Comprehensive Infrastructure Plan**

The Town has hired an engineer to amend its comprehensive plan including capital improvement elements. The installation of necessary stormwater, drainage, and other infrastructure projects is an ongoing process. Town management has identified approximately 25 projects estimated to cost \$21 million in 2016 dollars over the next five years.

**C. Mitigation with Miami Date County and Annexation**

The Town is currently pursuing the annexation of additional lands which it believes will assist in the long-term growth by an increased tax base and significant job creation, but will cost the Town additional monies for utility line construction and public safety. The Town has resubmitted its annexation applications based on a four-city agreement among the applicants. The County is reviewing these applications but has set no time table for action.

**D. Grant Expenditures**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

**12. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Accounting principles generally accepted in the United States of America require disclosure, as part of the financial statements, of certain information concerning individual funds including:

**A. Interfund Transactions and Balances**

Individual fund interfund receivable and payable balances at September 30, 2016, were:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General fund	\$ 1,433,371	\$ -
Law enforcement trust fund	-	(279)
Town of Medley Foundation, Inc.	-	(13,411)
Proprietary funds		
Water and wastewater fund	36,840	(1,382,794)
Stormwater utility fund	-	(56,128)
Medley Lakeside Retirement Park fund	-	(4,445)
Police gun range fund	-	(13,154)
	<u>\$ 1,470,211</u>	<u>\$ (1,470,211)</u>

Interfund balances are used as short-term financing of cash flow shortfalls and to account for allocations of expenses between funds.

**Town of Medley, Florida**  
**Notes to Financial Statements**  
**September 30, 2016**

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Interfund transfers for the year ended September 30, 2016, were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Medley Lakeside Retirement Park fund	\$ -	\$ 204,422
Medley Lakeside Retirement Park Fund		
General fund	<u>204,422</u>	<u>-</u>
	<u>\$ 204,422</u>	<u>\$ 204,422</u>

Transfers are utilized to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary and other authorizations.

**13. FUND BALANCES**

The Town's fund balances are as follows at September 30, 2016:

	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total</u>
Nonspendable				
Prepays	\$ 85,296	\$ -	\$ -	\$ 85,296
Total nonspendable	<u>85,296</u>	<u>-</u>	<u>-</u>	<u>85,296</u>
Restricted				
Law enforcement	-	1,610,408	-	1,610,408
Total restricted	<u>-</u>	<u>1,610,408</u>	<u>-</u>	<u>1,610,408</u>
Committed				
Foundation activities	-	-	79,021	79,021
Total committed	<u>-</u>	<u>-</u>	<u>79,021</u>	<u>79,021</u>
Assigned				
Pension	2,000,000	-	-	2,000,000
Working capital	2,300,000	-	-	2,300,000
Retiree health insurance	800,000	-	-	800,000
Debt service	900,000	-	-	900,000
Total assigned	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>6,000,000</u>
Unassigned	<u>7,988,533</u>	<u>-</u>	<u>-</u>	<u>7,988,533</u>
Total fund balances	<u>\$ 14,073,829</u>	<u>\$ 1,610,408</u>	<u>\$ 79,021</u>	<u>\$ 15,763,258</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Medley, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and**  
**Actual – General Fund**  
**Year Ended September 30, 2016**

	<b>Original and Final Budget (Unaudited)</b>	<b>Actual</b>	<b>Variance (Unaudited)</b>
<b>Revenues</b>			
Ad valorem taxes	\$ 9,520,400	\$ 9,550,304	\$ 29,904
Utility taxes	1,339,771	1,373,944	34,173
Other general taxes	781,034	859,371	78,337
Intergovernmental	214,910	216,288	1,378
Permits, fees, and licenses	4,180,020	4,894,441	714,421
Fines and forfeitures	800,000	366,075	(433,925)
User charges	73,670	260,798	187,128
Miscellaneous	435,000	162,434	(272,566)
Total revenues	<u>17,344,805</u>	<u>17,683,655</u>	<u>338,850</u>
<b>Expenditures</b>			
Current operating			
General government	4,122,069	4,259,657	137,588
Public safety	6,540,021	6,926,665	386,644
Physical environment	1,243,336	1,324,894	81,558
Human services	1,539,090	1,447,662	(91,428)
Culture and recreation	776,000	749,994	(26,006)
Capital outlay	5,540,000	3,181,675	(2,358,325)
Debt service	881,123	881,599	476
Total expenditures	<u>20,641,639</u>	<u>18,772,146</u>	<u>(1,869,493)</u>
Deficiency of revenues over expenditures	<u>(3,296,834)</u>	<u>(1,088,491)</u>	<u>2,208,343</u>
<b>Other financing uses</b>			
Operating transfers – out	-	(204,422)	(204,422)
Total other financing uses	<u>-</u>	<u>(204,422)</u>	<u>(204,422)</u>
Deficiency of revenues over expenditures and other financing uses	<u>(3,296,834)</u>	<u>(1,292,913)</u>	<u>2,003,921</u>
<b>Fund balances</b>			
Beginning of year	<u>16,999,024</u>	<u>15,366,742</u>	<u>(1,632,282)</u>
End of year	<u>\$ 13,702,190</u>	<u>\$ 14,073,829</u>	<u>\$ 371,639</u>

**Town of Medley, Florida**  
**Defined Benefit Pension Trust Funds**  
**Schedules of Funding Progress**  
**Year Ended September 30, 2016**

**A. Schedules of Funding Progress**

	<b>Total Pension Liability ("TPL")</b>	<b>Plan Fiduciary Position ("PFP")</b>	<b>Net Pension Liability ("NPL")</b>	<b>PFP as % of TPL</b>	<b>Covered Payroll</b>	<b>NPL as % of Covered Payroll</b>
<b>General Employees' Pension Fund</b>						
September 30, 2016	\$ 20,149,877	\$ 17,300,688	\$ 2,849,189	85.86%	\$ 2,845,353	100.13%
September 30, 2015	20,063,307	15,759,711	4,303,596	78.55%	2,594,629	165.87%
September 30, 2014	18,296,098	15,845,995	2,450,103	86.61%	2,118,023	115.68%
	<b>Total Pension Liability ("TPL")</b>	<b>Plan Fiduciary Position ("PFP")</b>	<b>Net Pension Liability ("NPL")</b>	<b>PFP as % of TPL</b>	<b>Covered Payroll</b>	<b>NPL as % of Covered Payroll</b>
<b>Police Officers' Retirement Fund</b>						
September 30, 2016	\$ 24,281,295	\$ 22,147,952	\$ 2,133,343	91.21%	\$ 2,956,688	72.15%
September 30, 2015	22,596,242	19,954,478	2,641,764	88.31%	2,885,418	91.56%
September 30, 2014	21,717,512	19,435,751	2,281,761	89.49%	2,881,548	79.19%
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability ("AAL") – Entry Age (b)</b>	<b>Unfunded AAL ("UAAL") (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (b-a)/c</b>
<b>Other Post Employment Benefits</b>						
September 30, 2014	\$ -	\$ 8,572,003	\$ 8,572,003	-	\$ 4,976,122	172.3%
September 30, 2012	-	3,471,483	3,471,483	-	5,814,326	59.7%
September 30, 2009	-	3,460,071	3,460,071	-	5,667,673	61.0%

**Town of Medley, Florida**  
**Defined Benefit Pension Trust Funds**  
**Schedules of Employer Contributions**  
**Year Ended September 30, 2016**

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**B. Schedules of Employer Contributions**

	<u>Employer Contribution</u>	<u>Annual Required Contributions ("ARC")</u>	<u>Contribution as % of ARC</u>	<u>Covered Payroll</u>	<u>Contribution as % of Covered Payroll</u>
<b>General Employees' Pension Fund</b>					
September 30, 2016	\$ 1,000,000	\$ 985,108	101.51%	\$ 2,845,353	35.15%
September 30, 2015	900,000	908,902	99.02%	2,594,629	34.69%
September 30, 2014	850,000	799,628	106.30%	2,118,023	40.13%

	<u>Employer Contribution</u>	<u>Annual Required Contributions ("ARC")</u>	<u>Contribution as % of ARC</u>	<u>Covered Payroll</u>	<u>Contribution as % of Covered Payroll</u>
<b>Police Officers' Retirement Fund</b>					
September 30, 2016	\$ 1,160,857	\$ 1,014,144	114.47%	\$ 2,956,688	39.26%
September 30, 2015	1,420,348	1,076,688	131.92%	2,885,418	49.23%
September 30, 2014	1,409,521	1,274,568	110.59%	2,881,548	48.92%

	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension/OPEB Obligation (Asset)</u>
<b>Other Post Employment Benefits</b>			
From October 1, 2015, through September 30, 2016	\$ 864,000	28%	\$ 2,863,282
From October 1, 2014, through September 30, 2015	864,000	27.5%	2,241,458
From October 1, 2013, through September 30, 2014	864,000	28.4%	1,615,458
From October 1, 2012, through September 30, 2013	360,000	60.3%	996,940
From October 1, 2011, through September 30, 2012	360,000	42.8%	854,535

**Town of Medley, Florida**  
**Defined Benefit Pension Trust Funds**  
**Notes to Required Supplemental Information**  
**Year Ended September 30, 2016**

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**C. Notes to Required Supplementary Information**

	<u>General Employees' Pension Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Other Post-Employment Benefits</u>
Valuation date	October 1, 2016	October 1, 2016	October 1, 2013
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	N/A	Level percentage of pay, closed	Level percentage of pay, closed
Amortization period	N/A	29 years	30 years
Actuarial asset valuation method	Fair market value	Four year smooth	Fair market value
Actuarial assumptions:			
Investment rate of return	6.50%	7.50%	N/A
Projected salary increases	3.50%	4.62% – 6.68%	3.00%
Inflation	3.50%	2.50%	Variable
Cost-of-living adjustments	Change in price index, 3.00% cap	1% until age 62	N/A

**D. Money Weighted Rate of Return – Pension Funds**

	<b><u>General Employees' Pension Fund</u></b>	<b><u>Police Officers' Retirement Fund</u></b>
September 30, 2016	8.69%	9.31%
September 30, 2015	-1.35%	-0.25%
September 30, 2014	9.44%	9.09%

## OTHER PROPRIETARY FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises or where the Town has decided that periodic determination of net income is appropriate for capital maintenance, management control, accountability, public policy, or other purposes.

Medley Lakeside Retirement Park fund

Used to account for the Town's operation of a low income mobile home park.

Police gun range fund

Used to account for the operations of the Town's police gun range.



**COMBINING FUND STATEMENTS**

**Town of Medley, Florida**  
**Other Proprietary Funds**  
**Combining Statement of Net Position**  
**September 30, 2016**

	<b>Medley Lakeside Retirement Park Fund</b>	<b>Police Gun Range Fund</b>	<b>Total Other Proprietary Funds</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 14,222	\$ 242,766	\$ 256,988
Receivables, net	-	14,609	14,609
Total current assets	<u>14,222</u>	<u>257,375</u>	<u>271,597</u>
Capital assets, net	<u>68,548</u>	<u>79,380</u>	<u>147,928</u>
Total assets	<u>82,770</u>	<u>336,755</u>	<u>419,525</u>
<b>Deferred Outflows</b>			
Related to pensions	<u>6,934</u>	<u>18,273</u>	<u>25,207</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	15,513	10,807	26,320
Due to other funds	<u>4,445</u>	<u>13,154</u>	<u>17,599</u>
Total current liabilities	<u>19,958</u>	<u>23,961</u>	<u>43,919</u>
Long-term obligations			
Compensated absences	3,331	19,283	22,614
Other post employment benefits	-	8,291	8,291
Net pension liability	<u>15,260</u>	<u>40,213</u>	<u>55,473</u>
Total long-term liabilities	<u>18,591</u>	<u>67,787</u>	<u>86,378</u>
Total liabilities	<u>38,549</u>	<u>91,748</u>	<u>130,297</u>
<b>Deferred Inflows</b>			
Related to pensions	<u>6,459</u>	<u>17,023</u>	<u>23,482</u>
<b>Net Position</b>			
Unrestricted	<u>44,696</u>	<u>246,257</u>	<u>290,953</u>
Total net position	<u>\$ 44,696</u>	<u>\$ 246,257</u>	<u>\$ 290,953</u>

**Town of Medley, Florida**  
**Other Proprietary Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended September 30, 2016**

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	<b>Medley Lakeside Retirement Park Fund</b>	<b>Police Gun Range Fund</b>	<b>Total Other Proprietary Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating revenues			
User charges	\$ 186,950	\$ 229,722	\$ 416,672
Miscellaneous, other	529	7,740	8,269
Total operating revenues	<u>187,479</u>	<u>237,462</u>	<u>424,941</u>
Operating expenses			
Salaries, wages, and employee benefits	35,505	164,019	199,524
Contractual services, materials, and supplies	355,718	74,813	430,531
Depreciation and amortization	14,534	13,960	28,494
Total operating expenses	<u>405,757</u>	<u>252,792</u>	<u>658,549</u>
Operating loss	<u>(218,278)</u>	<u>(15,330)</u>	<u>(233,608)</u>
Nonoperating revenues			
Interest income	3	1,214	1,217
Total nonoperating revenues	<u>3</u>	<u>1,214</u>	<u>1,217</u>
Loss before transfers	<u>(218,275)</u>	<u>(14,116)</u>	<u>(232,391)</u>
Transfers			
Transfers in	204,422	-	204,422
Total transfers	<u>204,422</u>	<u>-</u>	<u>204,422</u>
Net loss	(13,853)	(14,116)	(27,969)
Net position			
Beginning of year	<u>58,549</u>	<u>260,373</u>	<u>318,922</u>
End of year	<u>\$ 44,696</u>	<u>\$ 246,257</u>	<u>\$ 290,953</u>

**Town of Medley, Florida**  
**Other Proprietary Funds**  
**Combining Statement of Cash Flows**  
**Year Ended September 30, 2016**

	<b>Medley Lakeside Retirement Park Fund</b>	<b>Police Gun Range Fund</b>	<b>Total Other Proprietary Funds</b>
<b>Cash flows from operating activities</b>			
Receipts from customers and users	\$ 186,950	\$ 232,446	\$ 419,396
Payments to suppliers	(354,301)	(66,700)	(421,001)
Payments to employees	(29,799)	(152,892)	(182,691)
Other receipts	529	7,740	8,269
Net cash provided by (used in) operating activities	<u>(196,621)</u>	<u>20,594</u>	<u>(176,027)</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers from other funds	204,422	-	204,422
Change in due from/to other funds	1,145	3,035	4,180
Net cash provided by noncapital financing activities	<u>205,567</u>	<u>3,035</u>	<u>208,602</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition of capital assets	(4,900)	-	(4,900)
Net cash used in capital and related financing activities	<u>(4,900)</u>	<u>-</u>	<u>(4,900)</u>
<b>Cash flows from investing activities</b>			
Interest income received	3	1,214	1,217
Net cash provided by investing activities	<u>3</u>	<u>1,214</u>	<u>1,217</u>
<b>Net increase in cash and cash equivalents</b>	4,049	24,843	28,892
<b>Cash and Cash Equivalents</b>	<u>10,173</u>	<u>217,923</u>	<u>228,096</u>
Beginning of year			
End of year	<u>\$ 14,222</u>	<u>\$ 242,766</u>	<u>\$ 256,988</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating loss	\$ (218,278)	\$ (15,330)	\$ (233,608)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	14,534	13,960	28,494
Changes in:			
Receivables	-	2,724	2,724
Prepaid expenses	9,957	-	9,957
Deferred outflows of resources	-	6,845	6,845
Accounts payable and accrued liabilities	(8,540)	8,113	(427)
Compensated absences	1,693	11,190	12,883
Deferred inflows of resources	6,459	17,023	23,482
Net pension liability	(2,446)	(23,931)	(26,377)
Net cash provided by (used in) operating activities	<u>\$ (196,621)</u>	<u>\$ 20,594</u>	<u>\$ (176,027)</u>



**SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION**

## **INDEPENDENT AUDITORS' 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**

Honorable Mayor and Town Council  
Town of Medley, 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 aggregate remaining fund information, as well as each fiduciary fund type, of Town of the Medley, Florida (the "Town") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 28, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (items 2016-01 and 2016-02).

A *significant deficiency* is a deficiency, or 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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (items 2016-03 through 2016-05).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Town's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 28, 2017

**Town of Medley, Florida**  
**Schedule of Findings and Responses**  
**Year Ended September 30, 2016**

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**MATERIAL WEAKNESSES**

**2016-01 Supervisory Review**

Criteria: Effective internal control of financial reporting requires an element of supervisory review to reduce the ability for unauthorized transactions to occur and go undetected.

Condition: Due to the small size of the Town, there is a lack of segregation of duties in some accounting and financial reporting functions.

Cause: Although quarterly financial statements are provided to the Mayor and Town Council, they are not approved. Additionally, journal entries can be prepared, entered, and posted by one individual without review or approval.

Effect: Without proper review and approval, the risk that unauthorized transactions could occur and not be detected in a timely manner is increased.

Recommendation: The involvement of the Mayor and of the Town Council in the operations of the Town helps mitigate this condition. Two signatures are required for disbursement and the Town Council approves the annual budget. We recommend that the Mayor and Town Council establish a periodic review and approval of the Town's financial statements and a system of review and approval for nonstandard journal entries implemented.

Views of responsible officials and planned corrective actions: Monthly financial reports are prepared by the finance department. On a quarterly basis, the financial reports are provided to the Town Council and Department Heads. These reports are discussed with each individual with budget variances reviewed in detail. Furthermore, interim financial reports are discussed and accepted by Town Council at budget workshops. The financial reports include current year budget, actual year to date results, projected year end results and the preliminary budget for following year. In the future, on a quarterly basis, financial reports will be a line item agenda item at a council meeting.

As a result of new accounting software implemented October 01, 2016 there are no longer non-standard journal entries recorded. Under our legacy system, the trial balances of each fund may not have balanced from posted transactions. The old system allowed journals entries debiting one fund and crediting another. The finance director was required to search for the entries which threw the funds out of balance and either reverse those entries or make a correcting one. In addition, there are less general ledger journal entries being made. Most of the transactions are recorded from utility billing, miscellaneous receivable, cash receipts, fixed assets, accounts payable, and community development and are integrated with the general ledger. General ledger journal entries still being made include a correction of a posting, an allocation to different departments, and period end accruals.

In addition, there are other review processes in place including monthly reconciliations of banks accounts, subsidiary ledgers, fixed assets report, and worksheet schedules reconciling to the general ledger.

Other non-standard journal entries made by the finance director during the year may include capitalizing conveyed infrastructure from developers. The amounts capitalized are not estimates determined by the finance director but based on developer cost sheets and or independent appraisers.

**2016-02 Capital Assets**

Criteria: Effective internal control of capital assets requires that an inventory count be performed on a periodic basis to ensure that assets reported on the financial statements are accounted for.

**Town of Medley, Florida**  
**Schedule of Findings and Responses**  
**Year Ended September 30, 2016**

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Condition: The Town has not performed a recent physical inventory. Furthermore, the Town has numerous pump station sites in its boundaries that have not been dedicated nor have easement language contained in their plats to conclusively establish proper dedication in accordance with Florida Statute 177.081.

Cause: There is no one at the Town who has been designated to perform annual physical inventories or to oversee the dedication of the pump stations by the developers.

Effect: The Town has not determined if the assets reported on the financial statements are accounted for. In addition, pump stations with estimated values totaling approximately \$3.5 million are not included in the Town's capital assets.

Recommendation: We recommend the Town perform periodic or annual inventories of its capital assets. Additionally, the Town should continue to vigorously pursue the conveyance of completed Town infrastructure constructed by third parties.

Views of responsible officials and planned corrective actions: Physical inventories are performed for material assets such as vehicles and heavy equipment. These assets are reported to our insurance company on an annual basis. In March 2015, the Town hired an appraiser to inventory and value all real and personal property owned by the Town. This too was reported to our insurance company. As of this writing, town personnel are performing a physical inventory of all personal property owned by the Town. This inventory will be reconciled to the fixed assets schedule.

Conveyance of infrastructure: We now have a process in place to obtain proper right-of-way dedications and conveyances of infrastructure. As each permit is issued whether the job is being constructed by a developer or it is a Town infrastructure project, right-of-ways and infrastructure conveyances are dedicated to the Town before the job begins. This is a multi-year process and cannot be corrected in one year. Over the last three (3) years the Town has spent over \$6,000,000 in right-of-way acquisitions and have had infrastructure conveyed to us valued at over \$1,000,000.

## **SIGNIFICANT DEFICIENCIES**

### **2016-03 Licenses and Permits**

Criteria: Town Resolution C-644 established rates for fees that can be charged to citizens for various permits obtained through the Building Department.

Condition: During our testing of licenses and permits, we noted several discrepancies and internal control weaknesses as follows:

1. Subsidiary ledgers for licensing and permitting functions do not interface with the general ledger.
2. The Town periodically receives cash payments for licenses and permits and there are little to no controls over such receipts and the safeguarding of these payments. Additionally, amounts received by the Building Department are not consistently posted and deposited daily.

Cause: Reports cannot be generated that show amounts recorded in the general ledger in direct correlation to amounts recorded by the Building Department. In addition, cash registers are not utilized for payments.

Effect: Without the ability to reconcile the reports to the general ledger, there is an increased risk of errors or irregularities occurring that may not be detected in a timely manner. Furthermore, without proper controls over cash collections, errors or irregularities could occur without timely detection.

**Town of Medley, Florida**  
**Schedule of Findings and Responses**  
**Year Ended September 30, 2016**

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Recommendation: The Town should implement an automated system which allows interface between the permitting and licensing function and the financial reporting function. We also recommend the Town implement a centralized cash register system which interfaces with the financial reporting functions, as well as ensures daily entry and deposit of amounts received.

Views of responsible officials and planned corrective actions: In October 2016, a fully integrated financial software solution which includes finance, utilities, and community development (building and zoning, licensing, code enforcement) was implemented. There is still one unresolved issue but for the most part the software is operating as intended and revenues collected are reconciling to the general ledger. A cash receipts module is included in the new program and after encountering problems during the initial implementation and training, cash is reconciled on a daily basis.

The one issue we continue to have with the new system is integrating the business tax module with the general ledger. The conversion of old data was not properly reconciled with the software company to fix on-going issues.

**2016-04 Purchasing Procedures**

Criteria: Chapter 212.08(6) of the Florida Statutes specifically exempts political subdivisions, including municipalities, from paying sales tax when payment is made directly to the dealer. This exemption does not inure to any transaction when payment is made by a government employee by any means when that employee is subsequently reimbursed by the government agency. Furthermore, Ordinance C-357 defines the Town's purchasing procedures including when quotes or competitive bids are required.

Condition: During our testing of purchasing procedures, we noted several discrepancies and internal control weaknesses as follows:

1. The Town has issued a number of credit cards in the name of the Town to various employees to give them the flexibility of buying items that would otherwise be purchased by a check issued by the Town.
2. Purchases did not always follow the procurement methodology enumerated under Section 7 of Ordinance C-357 related to obtaining quotes or competitive bids.

Cause: There is no centralized purchasing system in place. Instead, departments have the ability to make their own purchases which leads to circumvention of the Town's ordinance.

Effect: Substantial savings are not realized by the Town that would be if purchases were made more consistently in accordance with the Town's ordinance, or by using a Town check instead of credit cards.

Recommendation: The Town should review its policies over credit card purchases and implement strict guidelines to follow its ordinance when purchases meet the requirements of obtaining quotes or competitive bids.

Views of responsible officials and planned corrective actions: Currently department heads have the authority to purchase goods and services within their budgetary constraints. We need to determine whether it would be cost effective to use a centralized purchasing system. It may add a layer of bureaucracy which will add costs and may not meet our needs. As of this writing no decision has been made.

**Town of Medley, Florida**  
**Schedule of Findings and Responses**  
**Year Ended September 30, 2016**

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Stricter enforcement of the Town's purchasing ordinance has been implemented. No expenditures will be authorized unless the purchasing ordinance is specifically followed or if not, the reason and authorization for not following the ordinance as written. This could include an emergency purchase, use of a sole source vendor, or piggy-backing with another governmental entity. Credit card use has been substantially curtailed.

**2016-05 Compensated Absences**

Criteria: Section 7 of the Fair Labor Standards Act defines compensatory pay for state and local governmental employees, as well as, law enforcement and emergency response personnel. Furthermore, Chapter 44 of the Medley, Florida Code of Ordinances (the "Code") established the requirements for accumulating compensatory leave and overtime.

Condition: During our testing of the Town's procedures over compensated absences, we noted several discrepancies and weaknesses in internal control as follows:

1. Two employees were credited with compensated balances in excess of the limits set forth under the Fair Labor Standards Act.
2. Compensatory time is being awarded to department heads for their time spent at Council Meetings even though Section 44-13 of the Code strictly states that it shall be the job of each department head to appear before the Town Council when so requested without additional compensation.
3. The Police Chief retired and was subsequently rehired at a higher salary. Upon retirement, she was paid the balance of her accumulated compensated absences, but at her new higher salary rate. This resulted in an overpayment of approximately \$2,700.

Cause: There is a lack of consistency in how compensated absences are awarded and utilized across departments and employees.

Effect: Potential abuses of compensated absences exist which could lead to excessive payouts or paid time off, as well as, low employee morale as a result of the policies not being applied consistently among all employees.

Recommendation: The Town should review its policies over compensated absences to ensure that it is in compliance with the Town's Code and the Fair Labor Standards Act.

Views of responsible officials and planned corrective actions: Procedures are now in place whereby, once an employee reaches his/her maximum compensatory time hours, the excess hours will be paid on the next payroll.

A new employee manual is being written and will be presented to the unions and town council for approval. Inconsistent payroll policies are being addressed. For example, Section 44-13 of the Town Code prohibiting additional compensation to department heads for time spent at council meetings, is inconsistent with the federal law. Therefore, we have followed federal law. As stated above, the new employee manual will comply with federal law and where applicable, the union contracts.

**Town of Medley, Florida**  
**Status of Prior Year Recommendations**

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<b>Prior Year Findings</b>	<b>Prior Year Reference Number</b>	<b>Current Year Status</b>	<b>Present in Second Preceding Year Report</b>
Supervisory Review	2015-01	Not corrected	Yes – Item 2014-01
Capital Assets	2015-02	Not corrected	Yes – Item 2014-02
Licenses and Permits	2015-03	Not corrected	Yes – Item 2014-03
Purchasing Procedures	2015-04	Not corrected	Yes – Item 2014-04
Compensated Absences	2015-05	Partially corrected	Yes – Item 2013-05

## **MANAGEMENT LETTER REQUIRED BY SECTION 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor and Town Council  
Town of Medley, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the Town of Medley, Florida (the “Town”) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 28, 2017.

### **Auditors’ 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 Reports and Schedule**

We have issued our Independent Auditors’ 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* and independent Accountants’ Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550. Rules of the Auditor General. Disclosures in those reports, which are dated June 28, 2017, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit except report as noted in the Status of Prior Year Recommendations found on page 71.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town was formed in 1949 and incorporated under Chapter 165 of the Florida Statutes and has one component unit, the Town of Medley Foundation, Inc. (the “Foundation”). The Town was created pursuant to a special election held April 9, 1949. The Foundation was created by action of the Town Council who approved the Articles of Incorporation and By-Laws and has applied for and received a 501(c)(3) determination letter from the Internal Revenue Service. The members of the Town Council serve as the Foundation’s Board of Directors.

### **Financial Condition**

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

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

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

### **Other Matters**

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

### **Purpose of This Letter**

Our management letter 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, federal and other granting agencies, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



June 28, 2017

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415,  
FLORIDA STATUTES**

Honorable Mayor and Town Council  
Town of Medley, Florida

We have examined the Town of Medley, Florida's (the "Town") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

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

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of the Town and the Auditor General, State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

*WithumSmith+Brown, PC*

June 28, 2017