

TOWN OF MEDLEY, FLORIDA
FINANCIAL SECTION, REQUIRED SUPPLEMENTARY
INFORMATION, COMBINING FUND STATEMENTS,
AND SUPPLEMENTARY FINANCIAL REPORTS
COMPLIANCE SECTION
Year Ended September 30, 2015

TOWN OF MEDLEY, FLORIDA

CONTENTS

Independent Auditors' Report	1
Financial Section:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Proprietary Funds:	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22
Fiduciary Funds:	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	26
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	59
Defined Benefit Pension Trust Funds:	
Schedules of Funding Progress	60
Schedules of Employer Contributions	61
Notes to Required Supplementary Information	61
Combining Fund Statements:	
Other Proprietary Funds:	
Combining Statement of Net Position	63
Combining Statement of Revenues, Expenses, and Changes in Net Position	64
Combining Statement of Cash Flows	65

TOWN OF MEDLEY, FLORIDA

CONTENTS – CONTINUED

Supplementary Financial Reports Compliance Section:

Schedule of Expenditures of Federal Awards and State Financial Assistance	66
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>	67
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550, <i>Rules of the Auditor General</i>	69
Schedule of Findings and Questioned Costs	71
Status of Prior Year Recommendations	77
Management Letter Required by Section 10.550 of the Rules of the Auditor General of the State of Florida	78
Independent Accountants' Report on Compliance With Section 218.415, Florida Statutes	80

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 of the Town of Medley, Florida (the "Town"), as of and for the year ended September 30, 2015, 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, 2015, 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.

Prior Year Financial Statements

The financial statements of the Town as of September 30, 2014, were audited by other auditors whose report dated June 25, 2015, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 1 to the accompanying financial statements, the Town adopted the recognition and disclosure requirements of Governmental Accounting Standards Board, Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27. The net position balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of October 1, 2014, have been restated. Our opinion is not modified with respect to this matter.

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 59 through 61 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 schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance 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 and the schedule of expenditures of federal awards and state financial assistance 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 30, 2016, 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.



Orlando, Florida
June 30, 2016

TOWN OF MEDLEY, FLORIDA

Management's Discussion and Analysis Year Ended September 30, 2015

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, 2015.

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 Town implemented GASB 68 in 2015. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, provides the procedures for the accounting and recognition of total net pension liabilities and stating the effect on the Town's net position. The effect of GASB 68 on the restated net position of the Town's governmental activities for the year ended September 30, 2014, was a \$6,606,140 reduction from \$145,814,016 to \$139,207,876. The effect of GASB 68 on the restated net position of the Town's business-type activities funds for the year ended September 30, 2014, was a \$836,451 reduction from \$33,950,234 to \$33,113,783.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$178,594,092 (*net position*). Of this amount, \$24,603,975 (*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 \$6,272,433 or by approximately 3.6%, before adjustments to beginning net position due to the implementation of GASB 68. This is comprised of an increase of \$2,461,716 in governmental activities and an increase of \$3,810,717 in business-type activities.
- The increase in governmental activities was due primarily to the increase in ad valorem revenues of \$1,601,984 and contributed land valued at \$1,750,000.
- 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 \$557,437, current year's increase in net position was \$3,810,717. Charges for services increased by \$774,267, grant revenue increased by \$1,920,552 and expenses decreased by \$656,810.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$17,608,199, an increase of \$1,520,011 in comparison with the prior year. Of this amount, \$15,286,034 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 pension, \$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 increased by \$9,427,617, the net effect which is comprised of an increase in amounts due for compensated absences and other post-employment benefits liabilities, new debt issued, and principal payments on existing debt, as well as the implementation of GASB 68 in the current year.
- The total fair value of the Town's unrestricted cash and investments at September 30, 2015, was \$32,890,364, an increase of \$6,101,213 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.

TOWN OF MEDLEY, FLORIDA

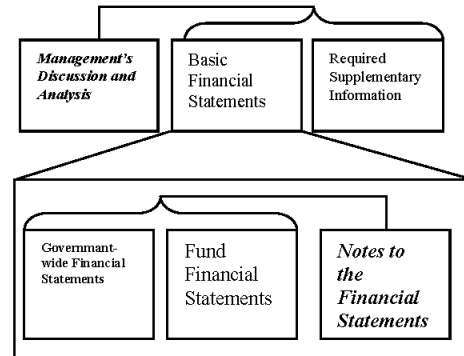
Management's Discussion and Analysis – Continued Year Ended September 30, 2015

Overview of the Financial Statements – Continued:

- 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.

Figure A-1
Required Components of the
Town's Annual Financial Report



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.

TOWN OF MEDLEY, FLORIDA

Management's Discussion and Analysis – Continued Year Ended September 30, 2015

Overview of the Financial Statements – Continued:

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 and 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.

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 58 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 59 through 62 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 63 through 65 of this report.

TOWN OF MEDLEY, FLORIDA

Management's Discussion and Analysis – Continued Year Ended September 30, 2015

Government-Wide Financial Analysis

The table below summarizes the statements of net position:

Town of Medley, Florida's Net Position

	Governmental Activities (as restated)		Business-Type Activities (as restated)		Total (as restated)			
	September 30,		September 30,		September 30,		Amount	%
	2015	2014	2015	2014	2015	2014	Change	Change
Current assets	\$ 16,646,947	\$ 16,059,002	\$ 18,235,077	\$ 14,819,638	\$ 34,882,024	\$ 30,878,640	\$ 4,003,384	13.0 %
Noncurrent assets	2,385,360	3,329,959	781,787	845,070	3,167,147	4,175,029	(1,007,882)	(24.1)
Capital assets, net	138,311,681	135,221,056	25,397,740	24,878,708	163,709,421	160,099,764	3,609,657	2.3
Total assets	157,343,988	154,610,017	44,414,604	40,543,416	201,758,592	195,153,433	6,605,159	3.4
Deferred Outflows	2,308,117	-	574,160	-	2,882,277	-	2,882,277	0.0
Long-term obligations outstanding	15,999,853	7,933,700	6,164,495	4,803,031	22,164,348	12,736,731	9,427,617	74.0
Other liabilities	1,290,831	793,112	1,603,065	1,501,057	2,893,896	2,294,169	599,727	26.1
Total liabilities	17,290,684	8,726,812	7,767,560	6,304,088	25,058,244	15,030,900	10,027,344	66.7
Deferred Inflows	691,829	69,189	296,704	289,094	988,533	358,283	630,250	175.9
Net position:								
Investment in capital assets, net of related debt	130,439,571	129,291,312	21,228,381	20,563,757	151,667,952	149,855,069	1,812,883	1.2
Restricted	2,322,165	5,880,507	-	-	2,322,165	5,880,507	(3,558,342)	(60.5)
Unrestricted	8,907,856	10,642,197	15,696,119	13,386,477	24,603,975	24,028,674	575,301	2.4
Total net position	\$ 141,669,592	\$ 145,814,016	\$ 36,924,500	\$ 33,950,234	\$ 178,594,092	\$ 179,764,250	\$ (1,170,158)	(0.7) %

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 \$178,594,092 at September 30, 2015.

The largest portion of the Town's net position, \$151,667,952, or 85%, 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.

An additional portion of the Town's net position, \$2,322,165, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$24,603,975, 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.

TOWN OF MEDLEY, FLORIDA

Management's Discussion and Analysis – Continued Year Ended September 30, 2015

Governmental and business-type activities. Governmental activities increased the Town's net position by \$2,461,716, whereas business-type activities increased the Town's net position by \$3,810,717. This resulted in an increase in total net position of \$6,272,433.

The table below summarizes the statements of activities:

Town of Medley, Florida									
Changes in Net Position									
	Governmental Activities		Business-Type Activities		Total				
	September 30,		September 30,		September 30,		Amount	%	
	2015	2014	2015	2014	2015	2014	Change	Change	
Revenues:									
Program revenues:									
Fees, fines, and charges for services	\$ 4,103,126	\$ 3,679,041	\$ 8,809,121	\$ 8,034,854	\$ 12,912,247	\$ 11,713,895	\$ 1,198,352	10.2	%
Operating grants and contributions	32,689	9,580	-	-	32,689	9,580	23,109	241.2	
Capital grants and contributions	1,750,000	-	2,076,878	156,326	3,826,878	156,326	3,670,552	2,348.0	
General revenues:									
Ad valorem taxes	10,202,596	8,600,612	-	-	10,202,596	8,600,612	1,601,984	18.6	
Utility taxes	1,334,347	1,295,138	-	-	1,334,347	1,295,138	39,209	3.0	
Franchise fees	993,205	970,314	-	-	993,205	970,314	22,891	2.4	
Other general taxes	554,544	610,204	-	-	554,544	610,204	(55,660)	(9.1)	
Intergovernmental	213,165	203,287	-	-	213,165	203,287	9,878	4.9	
Investment earnings	84,952	89,288	105,531	75,880	190,483	165,168	25,315	15.3	
Miscellaneous	85,548	210,336	-	-	85,548	210,336	(124,788)	(59.3)	
Internal activity:									
Transfers	(29,000)	(157,000)	29,000	157,000	-	-	-	-	
Total revenues and transfers	<u>19,325,172</u>	<u>15,510,800</u>	<u>11,020,530</u>	<u>8,424,060</u>	<u>30,345,702</u>	<u>23,934,860</u>	<u>6,410,842</u>	26.8	
Expenses:									
General government	6,555,901	5,790,169	-	-	6,555,901	5,790,169	765,732	13.2	
Public safety	6,646,456	6,911,180	-	-	6,646,456	6,911,180	(264,724)	(3.8)	
Physical environment	1,166,275	973,766	-	-	1,166,275	973,766	192,509	19.8	
Human services	1,491,578	1,432,695	-	-	1,491,578	1,432,695	58,883	4.1	
Culture and recreation	810,048	909,517	-	-	810,048	909,517	(99,469)	(10.9)	
Interest	193,198	154,491	121,953	87,676	315,151	242,167	72,984	30.1	
Water and wastewater	-	-	4,525,636	4,695,424	4,525,636	4,695,424	(169,788)	(3.6)	
Stormwater utility	-	-	1,948,259	1,617,868	1,948,259	1,617,868	330,391	20.4	
Medley Lakeside Retirement Park	-	-	385,818	351,126	385,818	351,126	34,692	9.9	
Police gun range	-	-	228,147	278,078	228,147	278,078	(49,931)	(18.0)	
Total expenses	<u>16,863,456</u>	<u>16,171,818</u>	<u>7,209,813</u>	<u>7,030,172</u>	<u>24,073,269</u>	<u>23,201,990</u>	<u>871,279</u>	3.8	
Increase (Decrease) in Net Position	<u>2,461,716</u>	<u>(661,018)</u>	<u>3,810,717</u>	<u>1,393,888</u>	<u>6,272,433</u>	<u>732,870</u>	<u>5,539,563</u>	755.9	
Net Position, beginning of year	145,814,016	146,475,034	33,950,234	32,556,346	179,764,250	179,031,380	732,870	(0.4)	
Adjustment to Net Position (GASB 68)	<u>(6,606,140)</u>	<u>-</u>	<u>(836,451)</u>	<u>-</u>	<u>(7,442,591)</u>	<u>-</u>	<u>(7,442,591)</u>	N/A	
	<u>139,207,876</u>	<u>146,475,034</u>	<u>33,113,783</u>	<u>32,556,346</u>	<u>172,321,659</u>	<u>179,031,380</u>	<u>(6,709,721)</u>	(3.7)	
Net Position, end of year	<u>\$ 141,669,592</u>	<u>\$ 145,814,016</u>	<u>\$ 36,924,500</u>	<u>\$ 33,950,234</u>	<u>\$ 178,594,092</u>	<u>\$ 179,764,250</u>	<u>\$ (1,170,158)</u>	(0.7)	%

TOWN OF MEDLEY, FLORIDA

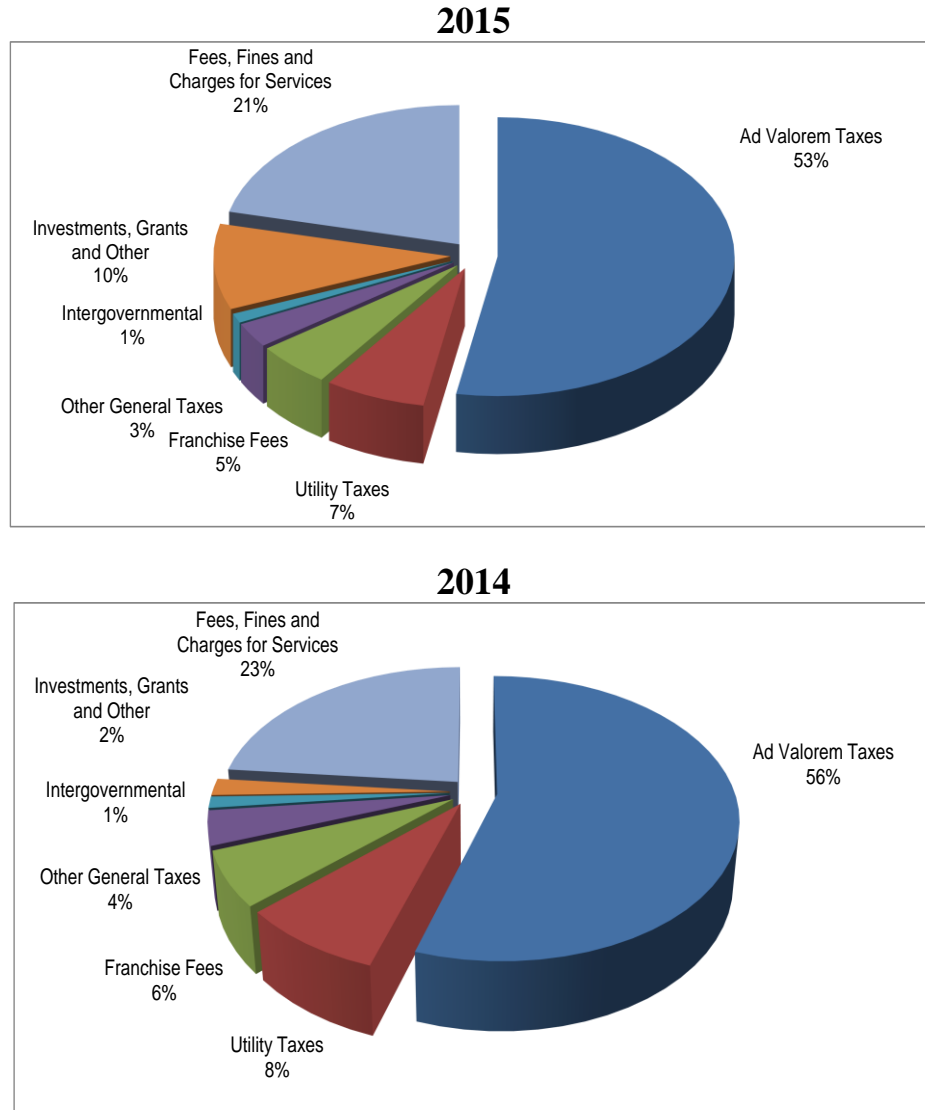
Management's Discussion and Analysis – Continued Year Ended September 30, 2015

Government-Wide Financial Analysis – Continued

Governmental activities. Governmental activities increased the Town's net position by \$2,461,716.

Revenues. The following chart shows the amounts of program and general revenues for fiscal years 2015 and 2014:

Revenues by Source – Governmental Activities
For the Years Ended September 30, 2015 and 2014, respectively



The Town is heavily reliant on property taxes to support governmental functions. Property taxes provided 53% of the Town's total revenues as compared to 56% in fiscal year 2014. Other general taxes, which include communications taxes, provided 3% of the Town's total revenues compared to 4% for fiscal year 2014. Franchise fees and utility taxes provided 12% of the revenues compared to 14% for the year ended September 30, 2014.

TOWN OF MEDLEY, FLORIDA

Management's Discussion and Analysis – Continued Year Ended September 30, 2015

Government-Wide Financial Analysis – Continued

Governmental activities – Continued

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

	Total Cost of Services	Percentage of Total
General government	\$ 6,555,901	38.9%
Public safety	6,646,456	39.5
Physical environment	1,166,275	6.9
Human services	1,491,578	8.8
Culture and recreation	810,048	4.8
Interest	193,198	1.1
	<u>\$ 16,863,456</u>	<u>100.0%</u>

Expenses for governmental activities increased \$691,638 from the prior year. The increase is mostly attributable to increased OPEB costs of \$604,677 and increased payroll costs of \$227,836. In previous years, certain expenses such as health insurance were centralized in the general government department. In the current year, this and other expenses have been allocated to their respective departments.

Business-type activities. Business-type activities increased the Town's net position by \$3,810,717.

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 2015 and 2014:

	Fiscal Year	
	2015	2014
Water and wastewater	\$ 3,262,270	\$ 1,030,478
Stormwater utility	<u>589,654</u>	<u>402,776</u>
	<u>\$ 3,851,924</u>	<u>\$ 1,433,254</u>

The following includes an analysis of the fiscal year 2015 financial activities for each fund:

- The water and wastewater fund had an increase in net position of \$3,262,270, before adjustment to beginning net position due to the implementation of GASB 68. Operating revenues increased by \$133,153 from the prior year due to higher commercial water and sewer sales and service and hook-up charges. Operating expenses decreased by \$169,788 from the prior year. This is mostly attributable to a decrease in contractual services, materials, and supplies expenses.
- The water and wastewater fund recognized grant revenues and capital contributions of \$2,076,878. This was an increase of \$1,935,917 from the prior year.
- The stormwater utility fund had an increase in net position of \$589,654. Operating revenues increased by \$663,931 due to ERU adjustments in accordance with the terms of agreements with the owners of specific large properties. Operating expenses increased by \$229,118 from the prior year. This was mostly attributable to increased infiltration costs. In fiscal year 2015, there were three stormwater projects in progress of which one should be completed in fiscal year 2016.

Nonmajor fund – Medley Lakeside Retirement Park. There were transfers from the general fund and the water and wastewater fund of \$29,000 and \$126,000, respectively, 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.

TOWN OF MEDLEY, FLORIDA

Management's Discussion and Analysis – Continued Year Ended September 30, 2015

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:

	Governmental Funds			Total
	General Fund	Law Enforcement Trust Fund	Town of Medley Foundation, Inc.	
Revenue	\$ 17,262,922	\$ 309,316	\$ 31,934	\$ 17,604,172
Expenditures	(20,393,650)	(1,437,690)	(23,821)	(21,855,161)
Other financing sources (uses), net	5,771,000	-	-	5,771,000
	<u>\$ 2,640,272</u>	<u>\$ (1,128,374)</u>	<u>\$ 8,113</u>	<u>\$ 1,520,011</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 \$17,608,199, an increase of \$1,520,011 in comparison with the prior year. Key elements of the increase are as follows:

- An increase in total revenues of \$1,936,372. Sources of revenue increasing include franchise fees and utility taxes, fines and forfeitures, building permits, and ad valorem taxes.
- Total expenditures increased by \$6,972,999. This is attributable primarily to repayment of debt and capital outlay.
- An increase in other financing sources/uses of \$5,928,000. This is attributable to the issuance of debt by the Town of Medley during the year.

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 \$15,286,034. 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 70% 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 \$3,810,717. 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 – Continued Year Ended September 30, 2015

General Fund Budgetary Highlights

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

Actual revenues were less than budget by \$694,544. This was primarily due to the net effects of the following variances:

- Ad valorem collections were \$281,634 lower than budgeted because of value adjustments and delinquent payments, which are expected to be received in fiscal year 2016.
- Utility taxes were \$87,110 over budget due to improvement in the economy.
- Other general tax collections were \$106,555 under budget due primarily to decreases in communication services tax revenue. Communication methods are changing and those changes are having a negative effect on tax revenues.
- Intergovernmental revenue was \$357,532 less than expected. This was primarily due to deferral of grant and impact fee revenue.
- Permits, fees, and licenses revenue was \$240,136 under budget. This revenue source depends on the volume of construction activity within the town limits and is somewhat unpredictable.
- Fines and forfeiture revenue was \$212,438 over budget. This was due to additional red light cameras installed during 2015.

Actual expenditures were lower than budget by \$199,586. This was due to the net effects of the following variances:

- Capital outlay was \$4,102,782 lower than budget due to delays in new construction.
- Debt service was \$3,556,536 greater than expected as the Town refinanced existing debt.

Additional information on budgetary comparisons between the final budget and actual results can be found on page 59 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 \$163,709,421 (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,			
	2015	2014	2015	2014	2015	2014		
Land and improvements	\$ 5,217,901	\$ 3,467,901	\$ 765,839	\$ 765,839	\$ 5,983,740	\$ 4,233,740	\$ 1,750,000	41.3 %
Construction in progress	3,492,068	744,137	1,672,468	3,682,800	5,164,536	4,426,937	737,599	16.7
Buildings and improvements	12,945,897	12,945,897	1,101,708	1,101,708	14,047,605	14,047,605	-	0.0
Infrastructure	143,359,347	143,359,347	-	-	143,359,347	143,359,347	-	0.0
Machinery, equipment, and vehicles	5,520,590	5,026,807	2,911,812	2,581,832	8,432,402	7,608,639	823,763	10.8
Water and wastewater systems	-	-	23,689,721	23,457,448	23,689,721	23,457,448	232,273	1.0
Stormwater systems	-	-	11,175,765	8,291,059	11,175,765	8,291,059	2,884,706	34.8
Total	170,535,803	165,544,089	41,317,313	39,880,686	211,853,116	205,424,775	6,428,341	3.1
Accumulated depreciation	(32,224,122)	(30,323,033)	(15,919,573)	(15,001,978)	(48,143,695)	(45,325,011)	(2,818,684)	6.2
	\$ 138,311,681	\$ 135,221,056	\$ 25,397,740	\$ 24,878,708	\$ 163,709,421	\$ 160,099,764	\$ 3,609,657	2.3 %

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 – Continued Year Ended September 30, 2015

Capital Asset and Debt Administration – Continued

Long-term obligations. At year end, the Town had \$12,041,469 in notes outstanding versus \$10,244,695 last year. Repayments of debt amounted to \$5,960,499. Included in long-term obligations of the governmental fund and proprietary fund types are \$755,060 and \$181,400 in accrued compensated absence liabilities and \$1,893,508 and \$347,552 in accrued other post-employment benefits liabilities, respectively.

The following table reports long-term obligation balances at September 30, 2015 and 2014:

	Governmental Activities			Balance September 30, 2015
	Balance October 1, 2014	Additions	Reductions	
Notes payable	\$ 5,929,744	\$ 5,800,000	\$ 3,857,634	\$ 7,872,110
Compensated absences	715,125	39,935	-	755,060
Other post employment benefits	1,288,831	835,101	230,424	1,893,508
	<u>\$ 7,933,700</u>	<u>\$ 6,675,036</u>	<u>\$ 4,088,058</u>	<u>\$ 10,520,678</u>
	Business-Type Activities			Balance September 30, 2015
	Balance October 1, 2014	Additions	Reductions	
Notes payable	\$ 4,314,951	\$ 1,957,273	\$ 2,102,865	\$ 4,169,359
Compensated absences	161,453	19,947	-	181,400
Other post employment benefits	326,627	28,899	7,974	347,552
	<u>\$ 4,803,031</u>	<u>\$ 2,006,119</u>	<u>\$ 2,110,839</u>	<u>\$ 4,698,311</u>

Additional information on the Town's long-term debt can be found in Note 9 on pages 52 to 55 of this report.

Economic Factors and Next Year's Budgets and Rates

Over the past several years, the Town has experienced significant 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 8% since 2009.

The operating millage for the fiscal year ending September 30, 2016, is stated at 5.5791 mills. This represents a 15% increase over the rolled back rate and is lower than the 2015 millage rate of 6.38 mills. Since 2003, the Town has been able to reduce millage by 40% from 7.8 mills to 5.5791 mills.

The general fund's total 2016 departmental expenditures are budgeted at \$14,220,516 which is \$121,084 less than fiscal 2015 actual expenditures.

TOWN OF MEDLEY, FLORIDA

Management's Discussion and Analysis – Continued Year Ended September 30, 2015

Economic Factors and Next Year's Budgets and Rates – Continued

In fiscal year 2016, the Town has budgeted \$15.5 million in capital projects: \$5.5 million from the general fund and the balance from the water and stormwater utilities. Major projects include NW 87th Avenue right-of-way acquisition costs; NW South River Drive eastside roadway, water, and drainage improvements; NW 89th Avenue and NW 93rd Street roadway and drainage improvements; a fully integrated accounting, utilities, and community software system; Tobie Wilson Park improvements; relocation and extension of NW 87th Avenue water main; 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. Miami-Dade County has put on hold all annexation applications and it is unknown which or if any of the lands will be awarded to the Town of Medley.

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, 2015**

Assets	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 11,603,580	\$ 11,574,089	\$ 23,177,669
Investments	4,199,902	5,512,793	9,712,695
Receivables, net	496,501	1,222,294	1,718,795
Internal Balances	266,256	(266,256)	-
Prepaid Expenses	80,708	9,957	90,665
Notes Receivable	-	182,200	182,200
	<u>16,646,947</u>	<u>18,235,077</u>	<u>34,882,024</u>
Restricted Assets:			
Cash and cash equivalents	855,301	781,787	1,637,088
Investments	1,530,059	-	1,530,059
Total restricted assets	<u>2,385,360</u>	<u>781,787</u>	<u>3,167,147</u>
Capital Assets:			
Capital assets not being depreciated	108,604,182	2,116,706	110,720,888
Capital assets being depreciated, net	29,707,499	23,281,034	52,988,533
Total capital assets	<u>138,311,681</u>	<u>25,397,740</u>	<u>163,709,421</u>
Total assets	<u>157,343,988</u>	<u>44,414,604</u>	<u>201,758,592</u>
Deferred Outflows			
Deferred Outflows Related to Pensions	<u>2,308,117</u>	<u>574,160</u>	<u>2,882,277</u>
Liabilities			
Liabilities:			
Accounts payable and accrued liabilities	1,290,831	1,196,211	2,487,042
Liabilities payable from restricted assets	-	406,854	406,854
Long-term obligations:			
Due within one year	712,727	233,244	945,971
Due after one year	9,807,951	4,465,067	14,273,018
Net pension liability	5,479,175	1,466,184	6,945,359
Total liabilities	<u>17,290,684</u>	<u>7,767,560</u>	<u>25,058,244</u>
Deferred Inflows			
Unearned Revenue	133,277	-	133,277
Refundable Advances	-	210,955	210,955
Deferred Developer Fees	-	85,749	85,749
Deferred Inflows Related to Pensions	558,552	-	558,552
Total deferred inflows	<u>691,829</u>	<u>296,704</u>	<u>988,533</u>
Net Position			
Investment in Capital Assets, net of related debt	130,439,571	21,228,381	151,667,952
Restricted	2,322,165	-	2,322,165
Unrestricted	<u>8,907,856</u>	<u>15,696,119</u>	<u>24,603,975</u>
Total net position	<u>\$ 141,669,592</u>	<u>\$ 36,924,500</u>	<u>\$ 178,594,092</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Government-Wide Statement of Activities
Year Ended September 30, 2015**

Functions/Programs	Total Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 6,555,901	\$ 2,991,173	\$ 28,850	\$ -	\$ (3,535,878)	\$ -	\$ (3,535,878)
Public safety	6,646,456	1,111,953	3,839	-	(5,530,664)	-	(5,530,664)
Physical environment	1,166,275	-	-	1,750,000	583,725	-	583,725
Human services	1,491,578	-	-	-	(1,491,578)	-	(1,491,578)
Culture and recreation	810,048	-	-	-	(810,048)	-	(810,048)
Interest on long-term obligations	193,198	-	-	-	(193,198)	-	(193,198)
Total governmental activities	<u>16,863,456</u>	<u>4,103,126</u>	<u>32,689</u>	<u>1,750,000</u>	<u>(10,977,641)</u>	<u>-</u>	<u>(10,977,641)</u>
Business-Type Activities:							
Water and wastewater utility	4,609,519	5,855,506	-	2,076,878	-	3,322,865	3,322,865
Stormwater utility	1,986,329	2,536,543	-	-	-	550,214	550,214
Medley Lakeside Retirement Park	385,818	187,251	-	-	-	(198,567)	(198,567)
Police gun range	228,147	229,821	-	-	-	1,674	1,674
Total business-type activities	<u>7,209,813</u>	<u>8,809,121</u>	<u>-</u>	<u>2,076,878</u>	<u>-</u>	<u>3,676,186</u>	<u>3,676,186</u>
	<u>\$ 24,073,269</u>	<u>\$ 12,912,247</u>	<u>\$ 32,689</u>	<u>\$ 3,826,878</u>	<u>(10,977,641)</u>	<u>3,676,186</u>	<u>(7,301,455)</u>
		General Revenues:					
		Ad valorem taxes			10,202,596	-	10,202,596
		Utility taxes			1,334,347	-	1,334,347
		Franchise fees			554,544	-	554,544
		Other general taxes			213,165	-	213,165
		Intergovernmental			993,205	-	993,205
		Investment earnings			84,952	105,531	190,483
		Miscellaneous			85,548	-	85,548
		Transfers			(29,000)	29,000	-
		Total general revenues			<u>13,439,357</u>	<u>134,531</u>	<u>13,573,888</u>
		Change in net position			2,461,716	3,810,717	6,272,433
		Net position, beginning of year, restated			<u>139,207,876</u>	<u>33,113,783</u>	<u>172,321,659</u>
		Net position, end of year			<u>\$ 141,669,592</u>	<u>\$ 36,924,500</u>	<u>\$ 178,594,092</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Balance Sheet
Governmental Funds
September 30, 2015**

Assets	General Fund	Law Enforcement Trust Fund	Town of Medley Foundation,	Total Governmental Funds
Cash and Cash Equivalents	\$ 11,512,452	\$ -	\$ 91,128	\$ 11,603,580
Investments	4,199,902	-	-	4,199,902
Receivables, net	496,501	-	-	496,501
Due From Other Funds	280,078	-	-	280,078
Prepaid Items	80,708	-	-	80,708
Restricted Assets:				
Cash and cash equivalents	-	855,301	-	855,301
Investments	-	1,530,059	-	1,530,059
 Total assets	 \$ 16,569,641	 \$ 2,385,360	 \$ 91,128	 \$ 19,046,129
 Liabilities, Deferred Inflows, and Fund Equity				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,069,622	\$ 219,211	\$ 1,998	\$ 1,290,831
Due to other funds	-	486	13,336	13,822
Total liabilities	1,069,622	219,697	15,334	1,304,653
 Deferred Inflows – Unearned Revenue	 133,277	 -	 -	 133,277
Fund Equity:				
Fund balance:				
Nonspendable	80,708	-	-	80,708
Restricted	-	2,165,663	-	2,165,663
Committed	-	-	75,794	75,794
Assigned	6,000,000	-	-	6,000,000
Unassigned	9,286,034	-	-	9,286,034
Total fund equity	15,366,742	2,165,663	75,794	17,608,199
 Total liabilities, deferred inflows, and fund equity	 \$ 16,569,641	 \$ 2,385,360	 \$ 91,128	 \$ 19,046,129

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

Balance Sheet – Continued

Governmental Funds

September 30, 2015

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position:

Total fund balance – total governmental funds	\$ 17,608,199
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$170,535,803, net of accumulated depreciation of \$32,224,122, are not financial resources and, therefore, are not reported in the funds.	138,311,681
Long-term obligations of \$10,520,678 are not due and payable in the current period and are not reported in the funds.	(10,520,678)
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	(5,479,175)
Deferred outflows related to pensions	2,308,117
Deferred inflows related to pensions	<u>(558,552)</u>
Net position of governmental activities	\$ <u><u>141,669,592</u></u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2015**

	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total Governmental Funds</u>
Revenues:				
Ad valorem taxes	\$ 10,202,596	\$ -	\$ -	\$ 10,202,596
Utility taxes	1,334,347	-	-	1,334,347
Other general taxes	748,338	-	-	748,338
Intergovernmental	245,854	-	-	245,854
Permits, fees, and licenses	3,790,584	-	-	3,790,584
Fines and forfeitures	737,438	288,290	-	1,025,728
User charges	83,841	-	-	83,841
Miscellaneous	119,924	21,026	31,934	172,884
Total revenues	<u>17,262,922</u>	<u>309,316</u>	<u>31,934</u>	<u>17,604,172</u>
Expenditures:				
Current operating:				
General government	4,316,493	-	-	4,316,493
Public safety	6,725,999	52,532	-	6,778,531
Physical environment	1,117,408	-	-	1,117,408
Human services	1,462,069	-	-	1,462,069
Culture and recreation	719,631	-	23,821	743,452
Capital outlay	2,001,218	1,385,158	-	3,386,376
Debt service	4,050,832	-	-	4,050,832
Total expenditures	<u>20,393,650</u>	<u>1,437,690</u>	<u>23,821</u>	<u>21,855,161</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,130,728)</u>	<u>(1,128,374)</u>	<u>8,113</u>	<u>(4,250,989)</u>
Other Financing Sources (Uses):				
Proceeds from issuance of debt	5,800,000	-	-	5,800,000
Transfers out	(29,000)	-	-	(29,000)
Total other financing sources (uses)	<u>5,771,000</u>	<u>-</u>	<u>-</u>	<u>5,771,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	2,640,272	(1,128,374)	8,113	1,520,011
Fund Balances, beginning of year, restated	<u>12,726,470</u>	<u>3,294,037</u>	<u>67,681</u>	<u>16,088,188</u>
Fund Balances, end of year	<u>\$ 15,366,742</u>	<u>\$ 2,165,663</u>	<u>\$ 75,794</u>	<u>\$ 17,608,199</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds – Continued
Year Ended September 30, 2015**

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	\$ 1,520,011
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 \$3,386,376 exceeded depreciation of \$2,045,751 in the current period.	1,340,625
Contributions of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	1,750,000
Change in long-term compensated absences recognized in statement of activities, not recognized as expenditures.	(39,935)
Change in other post employment benefits liability recognized in statement of activities, not recognized as expenditures.	(604,677)
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.	3,857,634
The proceeds from the issuance of debt is reported as an other financing source in governmental funds and, thus has an effect on fund balance because current financial resources have been gained for use by the Town as a whole; however, the issuance of debt increases liabilities in the statement of net position and does not result in net position in the statement of activities.	(5,800,000)
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.	2,010,054
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>(1,571,996)</u>
Change in net position of governmental activities	<u>\$ 2,461,716</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Net Position
Proprietary Funds
September 30, 2015**

Assets	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Current Assets:				
Cash and cash equivalents	\$ 6,619,865	\$ 4,726,128	\$ 228,096	\$ 11,574,089
Investments	2,931,415	2,581,378	-	5,512,793
Receivables, net	815,700	389,261	17,333	1,222,294
Due from other funds	133,953	-	-	133,953
Prepaid expenses	-	-	9,957	9,957
Current portion of notes receivable	62,273	-	-	62,273
Total current assets	<u>10,563,206</u>	<u>7,696,767</u>	<u>255,386</u>	<u>18,515,359</u>
Noncurrent Assets:				
Restricted assets – cash and cash equivalents	641,787	140,000	-	781,787
Notes receivable, less current portion	119,927	-	-	119,927
Capital assets, net	15,076,632	10,149,586	171,522	25,397,740
Total noncurrent assets	<u>15,838,346</u>	<u>10,289,586</u>	<u>171,522</u>	<u>26,299,454</u>
Total assets	<u>26,401,552</u>	<u>17,986,353</u>	<u>426,908</u>	<u>44,814,813</u>
Deferred Outflows				
Related to Pensions	<u>398,354</u>	<u>143,754</u>	<u>32,052</u>	<u>574,160</u>
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	966,720	202,744	26,747	1,196,211
Due to other funds	240,129	146,661	13,419	400,209
Liabilities payable from restricted assets:				
Utility deposits	406,854	-	-	406,854
Current portion of long-term debt:				
Notes payable	106,897	126,347	-	233,244
Total current liabilities	<u>1,720,600</u>	<u>475,752</u>	<u>40,166</u>	<u>2,236,518</u>
Long-Term Obligations, less current portion:				
Notes payable	1,277,601	2,658,514	-	3,936,115
Compensated absences	129,083	42,586	9,731	181,400
Other post-employment benefits	281,692	57,569	8,291	347,552
Net pension liability	1,017,242	367,092	81,850	1,466,184
Total long-term obligations	<u>2,705,618</u>	<u>3,125,761</u>	<u>99,872</u>	<u>5,931,251</u>
Total liabilities	<u>4,426,218</u>	<u>3,601,513</u>	<u>140,038</u>	<u>8,167,769</u>
Deferred Inflows				
Refundable Advances	60,946	150,009	-	210,955
Deferred Developer Fees	75,749	10,000	-	85,749
Total deferred inflows	<u>136,695</u>	<u>160,009</u>	<u>-</u>	<u>296,704</u>
Net Position				
Investment in Capital Assets, net of related debt	13,692,134	7,364,725	171,522	21,228,381
Unrestricted	<u>8,544,859</u>	<u>7,003,860</u>	<u>147,400</u>	<u>15,696,119</u>
Total net position	<u>\$ 22,236,993</u>	<u>\$ 14,368,585</u>	<u>\$ 318,922</u>	<u>\$ 36,924,500</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2015**

	<u>Major Funds</u>		<u>Other</u>	
	<u>Water and Wastewater Fund</u>	<u>Stormwater Utility Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
Operating Revenues:				
User charges	\$ 5,195,495	\$ 2,515,173	\$ 413,091	\$ 8,123,759
Service and hook-up charges	632,815	-	-	632,815
Miscellaneous, other	27,196	21,370	3,981	52,547
Total operating revenues	<u>5,855,506</u>	<u>2,536,543</u>	<u>417,072</u>	<u>8,809,121</u>
Operating Expenses:				
Salaries, wages, and employee benefits	1,414,131	488,887	156,417	2,059,435
Contractual services, materials, and supplies	2,465,284	1,043,834	425,718	3,934,836
Depreciation and amortization	646,221	314,265	31,830	992,316
Total operating expenses	<u>4,525,636</u>	<u>1,846,986</u>	<u>613,965</u>	<u>6,986,587</u>
Operating Income (Loss)	<u>1,329,870</u>	<u>689,557</u>	<u>(196,893)</u>	<u>1,822,534</u>
Nonoperating Revenues (Expenses):				
Grants	2,076,878	-	-	2,076,878
Interest income	65,405	39,440	686	105,531
Interest expense	(83,883)	(38,070)	-	(121,953)
Loss on disposal of assets	-	(101,273)	-	(101,273)
Total nonoperating revenues (expenses)	<u>2,058,400</u>	<u>(99,903)</u>	<u>686</u>	<u>1,959,183</u>
Income (Loss) Before Transfers	<u>3,388,270</u>	<u>589,654</u>	<u>(196,207)</u>	<u>3,781,717</u>
Transfers:				
Transfers in	-	-	155,000	155,000
Transfers out	(126,000)	-	-	(126,000)
Total transfers	<u>(126,000)</u>	<u>-</u>	<u>155,000</u>	<u>29,000</u>
Net Income (Loss)	3,262,270	589,654	(41,207)	3,810,717
Net Position, beginning of year, restated	<u>18,974,723</u>	<u>13,778,931</u>	<u>360,129</u>	<u>33,113,783</u>
Net Position, end of year	\$ <u><u>22,236,993</u></u>	\$ <u><u>14,368,585</u></u>	\$ <u><u>318,922</u></u>	\$ <u><u>36,924,500</u></u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

Statement of Cash Flows Proprietary Funds Year Ended September 30, 2015

	Major Funds		Other	
	Water and Wastewater Fund	Stormwater Utility Fund	Proprietary Funds	Total
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 5,659,904	\$ 2,177,923	\$ 422,232	\$ 8,260,059
Payments to suppliers	(2,174,740)	(986,680)	(415,840)	(3,577,260)
Payments to employees	(1,327,697)	(479,081)	(156,212)	(1,962,990)
Other receipts	27,196	21,371	3,981	52,548
Net cash provided by (used in) operating activities	2,184,663	733,533	(145,839)	2,772,357
Cash Flows From Noncapital Financing Activities:				
Decrease in current liabilities payable from restricted assets	(24,716)	-	-	(24,716)
Transfers from other funds	-	-	155,000	155,000
Transfers to other funds	(126,000)	-	-	(126,000)
Proceeds from operating grants	2,076,878	-	-	2,076,878
Decrease in deferred developer fees	(69,366)	-	-	(69,366)
Change in due from/to other funds	97,859	(18,569)	(31,805)	47,485
Net cash provided by (used in) noncapital financing activities	1,954,655	(18,569)	123,195	2,059,281
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(844,350)	(763,410)	(4,861)	(1,612,621)
Proceeds from issuance of debt	-	1,898,385	-	1,898,385
Principal reduction on notes payable	(1,954,845)	(148,020)	-	(2,102,865)
Debt service fees	-	58,888	-	58,888
Interest paid on notes payable	(83,883)	(38,070)	-	(121,953)
Net cash provided by (used in) capital and related financing activities	(2,883,078)	1,007,773	(4,861)	(1,880,166)
Cash Flows From Investing Activities:				
Redemption of investments	295,448	532,385	-	827,833
Purchases of investments	(826,576)	(24,550)	-	(851,126)
Interest income received	63,829	39,381	686	103,896
Net cash provided by (used in) investing activities	(467,299)	547,216	686	80,603
Net Increase (Decrease) in Cash and Cash Equivalents	788,941	2,269,953	(26,819)	3,032,075
Cash and Cash Equivalents, beginning of year	6,472,711	2,596,175	254,915	9,323,801
Cash and Cash Equivalents, end of year	\$ 7,261,652	\$ 4,866,128	\$ 228,096	\$ 12,355,876

(Continued)

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

Statement of Cash Flows Proprietary Funds – Continued Year Ended September 30, 2015

	Major Funds		Other	
	Water and Wastewater Fund	Stormwater Utility Fund	Proprietary Funds	Total
Reported as Follows in the Statement of Net Position:				
Cash and cash equivalents	\$ 6,619,865	\$ 4,726,128	\$ 228,096	\$ 11,574,089
Restricted cash and cash equivalents	<u>641,787</u>	<u>140,000</u>	<u>-</u>	<u>781,787</u>
	<u>\$ 7,261,652</u>	<u>\$ 4,866,128</u>	<u>\$ 228,096</u>	<u>\$ 12,355,876</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 1,329,870	\$ 689,557	\$ (196,893)	\$ 1,822,534
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	646,221	314,265	31,830	992,316
Bad debt expense	80,668	148,707	11,435	240,810
Changes in:				
Receivables	(47,152)	(353,280)	9,141	(391,291)
Prepaid expenses	-	-	(9,957)	(9,957)
Notes receivable	(182,200)	-	-	(182,200)
Deferred outflows of resources	(398,354)	(143,754)	(32,052)	(574,160)
Accounts payable and accrued liabilities	209,876	(91,552)	8,400	126,724
Refundable advances	60,946	16,030	-	76,976
Compensated absences	26,953	(4,108)	(2,898)	19,947
Other post employment benefits	20,925	-	-	20,925
Net pension liability	<u>436,910</u>	<u>157,668</u>	<u>35,155</u>	<u>629,733</u>
Net cash provided by (used in) operating activities	<u>\$ 2,184,663</u>	<u>\$ 733,533</u>	<u>\$ (145,839)</u>	<u>\$ 2,772,357</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2015**

Assets	Pension Trust Funds		Total
	General Employees' Pension Fund	Police Officers' Retirement Fund	
Investments at Fair Value	\$ <u>15,762,506</u>	\$ <u>19,954,478</u>	\$ <u>35,716,984</u>
Total assets	<u>15,762,506</u>	<u>19,954,478</u>	<u>35,716,984</u>
Liabilities and Net Position			
Liabilities:			
Accounts payable	<u>2,796</u>	<u>-</u>	<u>2,796</u>
Total liabilities	<u>2,796</u>	<u>-</u>	<u>2,796</u>
Net Position Restricted for Pension Benefits	\$ <u><u>15,759,710</u></u>	\$ <u><u>19,954,478</u></u>	\$ <u><u>35,714,188</u></u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2015**

	<u>Pension Trust Funds</u>		
	General Employees' Pension Fund	Police Officers' Retirement Fund	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 900,000	\$ 1,420,348	\$ 2,320,348
Employee	-	141,670	141,670
Total contributions	<u>900,000</u>	<u>1,562,018</u>	<u>2,462,018</u>
Investment losses, including net unrealized loss on investments	<u>(217,632)</u>	<u>(48,345)</u>	<u>(265,977)</u>
Total additions	<u>682,368</u>	<u>1,513,673</u>	<u>2,196,041</u>
Deductions:			
Benefit payments	746,172	957,395	1,703,567
Administrative expenses	<u>22,481</u>	<u>37,551</u>	<u>60,032</u>
Total deductions	<u>768,653</u>	<u>994,946</u>	<u>1,763,599</u>
Change in net position	(86,285)	518,727	432,442
Net Position Restricted for Pension Benefits:			
Beginning of year, restated	<u>15,845,995</u>	<u>19,435,751</u>	<u>35,281,746</u>
End of year	\$ <u><u>15,759,710</u></u>	\$ <u><u>19,954,478</u></u>	\$ <u><u>35,714,188</u></u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements September 30, 2015

1. 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, 2015.

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.

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

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:

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.

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

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, 2015, the carrying amount of the Town's deposits was \$24,814,757 and the bank balances of the Town's deposits were \$25,119,010. 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 State Board of Administration local government surplus funds trust fund, and (3) collateralized or insured certificates of deposit and other evidence of deposits in financial institutions.

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

E. Assets, Deferred Outflows, Liabilities, and Net Position or Equity – Continued

(2) Town of Medley's Investment Policies – Continued

(a) Credit Risk – Continued

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 \$1,443,644 and \$1,794,635, respectively, in various foreign equities as of September 30, 2015. The foreign holdings account for approximately 9% 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 32% of its investments in fixed income securities, 59% in domestic equity, and 9% in international stock. The police officers' retirement fund presently has allocated 32% of its investment in fixed income securities, 59% in domestic equity, and 9% in international equities.

For the year ended September 30, 2015, the annual money weighted rate of return on plan investments, net of investment expense, was -1.35% and -.25% 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.

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

E. Assets, Deferred Outflows, Liabilities, and Net Position or Equity – Continued

(2) Town of Medley’s Investment Policies – Continued

(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, 2015, are as follows:

	General Employees’ Pension Plan	Police Officers’ Retirement Fund
Harbor Bond	\$ 1,343,859	\$ 3,181,786
MFS Value R5	2,386,046	-
Oakmark International I	-	1,794,635
Stable Asset Fund II	3,401,041	3,220,715
T. Rowe Price Growth Stock	2,563,958	-
Vanguard 500 Index Admiral DB	2,176,694	2,160,561
Vanguard REIT Index Admiral DB	-	1,238,073
Vanguard Morgan Growth Admiral DB	-	2,208,848
Vanuard Value Index Admiral DB	-	2,134,222
	<u>\$ 11,871,598</u>	<u>\$ 15,938,840</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.

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

E. Assets, Deferred Outflows, Liabilities, and Net Position or Equity – Continued

(5) Capital Assets – Continued

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:

	Governmental Activities	Business-Type Activities
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, 2015, that are for fiscal year 2016 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.

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

E. Assets, Deferred Outflows, Liabilities, and Net Position or Equity – Continued

(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, 2015, 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.

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

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, 2015, 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 Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council.
- 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.

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.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2015**

1. Summary of Significant Accounting Policies – Continued:

G. Stewardship, Compliance, and Accountability – Continued

Budgetary Information – Continued

Legally Authorized Nonappropriated Budgets:

A legally authorized nonappropriated budget is prepared for the enterprise funds. The Mayor is authorized to transfer budget amounts between line items of the authorized budget.

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. Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, was issued in June 2012 and was implemented by the Town beginning with its year ending September 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pensions plans administered as trust or equivalent arrangements, and result in the net pension liability of each of the Town's pension plans being recorded as liabilities on the statement of net position.

J. Subsequent Events

The Town has evaluated subsequent events through June 30, 2016, 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.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2015**

2. Cash, Cash Equivalents, and Investments:

Cash and cash equivalents at September 30, 2015, consist of the following:

	Governmental Fund Types			Proprietary Fund Type		Financial Institution Balance
	General Fund	Special Revenue Funds	Total Government Funds	Enterprise Funds	Total All Funds	
Unrestricted:						
Demand deposits	\$ 1,286,270	\$ 1,166	\$ 1,287,436	\$ 463,097	\$ 1,750,533	\$ 2,053,198
Money market funds	<u>10,226,182</u>	<u>89,962</u>	<u>10,316,144</u>	<u>11,110,992</u>	<u>21,427,136</u>	<u>21,426,224</u>
	<u>11,512,452</u>	<u>91,128</u>	<u>11,603,580</u>	<u>11,574,089</u>	<u>23,177,669</u>	<u>23,479,422</u>
Restricted:						
Demand deposits	-	222,732 ³	222,732	557,603 ^{1 & 4}	780,335	782,835
Money market funds	<u>-</u>	<u>632,569 ³</u>	<u>632,569</u>	<u>224,184 ²</u>	<u>856,753</u>	<u>856,753</u>
	<u>-</u>	<u>855,301</u>	<u>855,301</u>	<u>781,787</u>	<u>1,637,088</u>	<u>1,639,588</u>
Total cash and cash equivalents	<u>\$ 11,512,452</u>	<u>\$ 946,429</u>	<u>\$ 12,458,881</u>	<u>\$ 12,355,876</u>	<u>\$ 24,814,757</u>	<u>\$ 25,119,010</u>

Investments at September 30, 2015, consist of the following:

	Governmental Fund Types			Proprietary Fund Type		Financial Institution Balance
	General Fund	Special Revenue Funds	Total Government Funds	Enterprise Funds	Total All Funds	
Certificates of deposit:						
Unrestricted	\$ 4,199,902	\$ -	\$ 4,199,902	\$ 5,512,793	\$ 9,712,695	\$ 9,711,740
Restricted	<u>-</u>	<u>1,530,059 ³</u>	<u>1,530,059</u>	<u>-</u>	<u>1,530,059</u>	<u>1,522,426</u>
Total certificates of deposit	<u>\$ 4,199,902</u>	<u>\$ 1,530,059</u>	<u>\$ 5,729,961</u>	<u>\$ 5,512,793</u>	<u>\$ 11,242,754</u>	<u>\$ 11,234,166</u>

Restricted for customer utility deposits

² Restricted for debt service

³ Restricted for law enforcement

⁴ Restricted for deferred developer fees

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

3. Receivables and Due From Other Governments:

Receivables and due from other governments consist of the following at September 30, 2015:

	Governmental Fund	Enterprise Funds				
	General Fund	Water and Wastewater	Stormwater Utility	Police Gun Range	Total Enterprise	Total
Receivables:						
User charges	\$ 12,650	\$ 829,537	\$ 652,184	\$ 38,333	\$ 1,520,054	\$ 1,532,704
Interest	5,172	2,163	7,077	-	9,240	14,412
Utility taxes	203,098	-	-	-	-	203,098
Franchise fees	192,530	-	-	-	-	192,530
Total receivables	<u>413,450</u>	<u>831,700</u>	<u>659,261</u>	<u>38,333</u>	<u>1,529,294</u>	<u>1,942,744</u>
Due from other governments:						
Miami-Dade County	20,088	-	-	-	-	20,088
State of Florida	56,816	-	-	-	-	56,816
Other	<u>16,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,147</u>
Total due from other governments	<u>93,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,051</u>
Allowance for doubtful accounts	<u>(10,000)</u>	<u>(16,000)</u>	<u>(270,000)</u>	<u>(21,000)</u>	<u>(307,000)</u>	<u>(317,000)</u>
	<u>\$ 496,501</u>	<u>\$ 815,700</u>	<u>\$ 389,261</u>	<u>\$ 17,333</u>	<u>\$ 1,222,294</u>	<u>\$ 1,718,795</u>
Bad debt expense for the year ended September 30, 2015	<u>\$ 6,982</u>	<u>\$ 80,668</u>	<u>\$ 148,707</u>	<u>\$ 11,435</u>	<u>\$ 240,810</u>	<u>\$ 247,792</u>

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

4. Capital Assets:

A. Changes in Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance, October 1, 2014	Additions	Dispositions	Transfers	Balance, September 30, 2015
Government Activities:					
Capital assets not being depreciated:					
Land	\$ 3,467,901	\$ 1,750,000	\$ -	\$ -	\$ 5,217,901
Infrastructure	99,894,213	-	-	-	99,894,213
Construction in progress	744,137	2,747,931	-	-	3,492,068
Total capital assets not being depreciated	104,106,251	4,497,931	-	-	108,604,182
Capital assets being depreciated:					
Buildings and improvements	12,945,897	-	-	-	12,945,897
Infrastructure	43,465,134	-	-	-	43,465,134
Transportation equipment	2,654,952	119,083	(42,846)	-	2,731,189
Machinery and equipment	2,371,855	519,362	(101,816)	-	2,789,401
Total capital assets being depreciated	61,437,838	638,445	(144,662)	-	61,931,621
Accumulated depreciation	(30,323,033)	(2,045,751)	144,662	-	(32,224,122)
Capital assets being depreciated, net	31,114,805	(1,407,306)	-	-	29,707,499
Government activities – capital assets, net	\$ 135,221,056	\$ 3,090,625	\$ -	\$ -	\$ 138,311,681

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

4. Capital Assets – Continued:

A. Changes in Capital Assets – Continued

	Balance, October 1, 2014	Additions	Dispositions	Transfers	Balance, September 30, 2015
Business-Type Activities:					
Capital assets not being depreciated:					
Land:					
Water and wastewater fund	\$ 444,238	\$ -	\$ -	\$ -	\$ 444,238
	<u>444,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,238</u>
Construction in progress:					
Water and wastewater fund	370,236	444,510	-	(232,273)	582,473
Stormwater utility fund	3,312,564	763,410	(101,273)	(2,884,706)	1,089,995
	<u>3,682,800</u>	<u>1,207,920</u>	<u>(101,273)</u>	<u>(3,116,979)</u>	<u>1,672,468</u>
Total capital assets not being depreciated	<u>4,127,038</u>	<u>1,207,920</u>	<u>(101,273)</u>	<u>(3,116,979)</u>	<u>2,116,706</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	23,457,448	-	-	232,273	23,689,721
Stormwater utility fund	8,291,059	-	-	2,884,706	11,175,765
	<u>31,748,507</u>	<u>-</u>	<u>-</u>	<u>3,116,979</u>	<u>34,865,486</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	411,156	-	(27,456)	-	383,700
Stormwater utility fund	424,369	-	-	-	424,369
Medley Lakeside Retirement Park fund	3,634	-	-	-	3,634
	<u>839,159</u>	<u>-</u>	<u>(27,456)</u>	<u>-</u>	<u>811,703</u>
Machinery and equipment:					
Water and wastewater fund	958,542	399,840	(47,265)	-	1,311,117
Stormwater utility fund	603,921	-	-	-	603,921
Medley Lakeside Retirement Park fund	32,874	-	-	-	32,874
Police gun range fund	147,336	4,861	-	-	152,197
	<u>1,742,673</u>	<u>404,701</u>	<u>(47,265)</u>	<u>-</u>	<u>2,100,109</u>
Total capital assets being depreciated:					
Water and wastewater fund	25,392,515	399,840	(74,721)	232,273	25,949,907
Stormwater utility fund	9,319,349	-	-	2,884,706	12,204,055
Medley Lakeside Retirement Park fund	664,656	-	-	-	664,656
Police gun range fund	377,128	4,861	-	-	381,989
	<u>35,753,648</u>	<u>404,701</u>	<u>(74,721)</u>	<u>3,116,979</u>	<u>39,200,607</u>
Accumulated depreciation:					
Water and wastewater fund	(11,328,486)	(646,221)	74,721	-	(11,899,986)
Stormwater utility fund	(2,830,199)	(314,265)	-	-	(3,144,464)
Medley Lakeside Retirement Park fund	(572,070)	(14,404)	-	-	(586,474)
Police gun range fund	(271,223)	(17,426)	-	-	(288,649)
Total accumulated depreciation	<u>(15,001,978)</u>	<u>(992,316)</u>	<u>74,721</u>	<u>-</u>	<u>(15,919,573)</u>
Capital assets being depreciated, net	<u>20,751,670</u>	<u>(587,615)</u>	<u>-</u>	<u>3,116,979</u>	<u>23,281,034</u>
Business-type activities – capital assets, net	\$ 24,878,708	\$ 620,305	\$ (101,273)	\$ -	\$ 25,397,740

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

4. Capital Assets – Continued:

B. Depreciation Expense

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

Governmental Activities:

General government	\$ 1,503,608
Public safety	409,797
Physical environment	36,241
Human services	29,509
Culture and recreation	66,596
	<u>\$ 2,045,751</u>

Business-Type Activities:

Water and wastewater utility	\$ 646,221
Stormwater utility	\$ 314,265
Medley Lakeside Retirement Park	\$ 14,404
Police gun range	\$ 17,426

5. Accounts Payable and Accrued Liabilities:

Accounts payable and accrued liabilities consist of the following at September 30, 2015:

	Governmental Funds				Enterprise Funds					
	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	Total
Vendors	\$ 762,740	\$ 219,211	\$ 1,998	\$ 983,949	\$ 470,155	\$ 198,600	\$ 24,053	\$ 476	\$ 693,284	\$ 1,677,233
Salaries and benefits	252,210	-	-	252,210	34,255	4,144	-	2,218	40,617	292,827
Compensated absences	40,672	-	-	40,672	-	-	-	-	-	40,672
Interest	14,000	-	-	14,000	30,202	-	-	-	30,202	44,202
DERM Taxes	-	-	-	-	432,108	-	-	-	432,108	432,108
	<u>\$ 1,069,622</u>	<u>\$ 219,211</u>	<u>\$ 1,998</u>	<u>\$ 1,290,831</u>	<u>\$ 966,720</u>	<u>\$ 202,744</u>	<u>\$ 24,053</u>	<u>\$ 2,694</u>	<u>\$ 1,196,211</u>	<u>\$ 2,487,042</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 the Financial Statements – Continued September 30, 2015

6. Ad Valorem Tax Revenues – Continued:

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, 2015, was 6.38 mills (\$6.38 per \$1,000 of taxable assessed valuation). The Town levied a millage rate of 5.5791 mills for fiscal year 2016.

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, 2015.
- **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, 2015.

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:

	General Employees' Pension Plan	Police Officers' Retirement Plan	Total
Active members	104	37	141
Retirees and beneficiaries currently receiving benefits	14	15	29
Terminated plan members entitled to but not yet receiving benefits	30	2	32
	<u>148</u>	<u>54</u>	<u>202</u>

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2015**

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

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

	General Employees' Pension Plan	Police Officers' Retirement Plan
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 the Financial Statements – Continued September 30, 2015

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

(4) Annual Required Contributions

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

	General Employees’ Pension Plan	Police Officers’ Retirement Plan
Provision for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Valuation date	October 1, 2015	October 1, 2015
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	N/A

(5) Net Pension Liability

The components of the net pension liability at September 30, 2015, are as follows:

	General Employees’ Pension Plan	Police Officers’ Retirement Plan
Total pension liability	\$ 20,063,305	\$ 22,596,242
Less: Plan fiduciary net position	<u>(15,759,710)</u>	<u>(19,954,478)</u>
Net pension liability	<u>\$ 4,303,595</u>	<u>\$ 2,641,764</u>
Plan fiduciary net position as a percentage of total pension liability	<u>78.55%</u>	<u>88.31%</u>

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

(5) Net Pension Liability – Continued

The total pension liability was determined by actuarial valuations as of October 1, 2015, 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, 2015 (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%
Equity	0%	0.00%	6%	5.75%
Cash	3%	0.00%	15%	0.00%
	100%		100%	

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
1% decrease	5.50%	\$ 6,801,148	6.50%	\$ 5,141,181
Current discount rate	6.50%	\$ 4,303,595	7.50%	\$ 2,641,764
1% increase	7.50%	\$ 2,221,189	8.50%	\$ 525,301

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

(5) Net Pension Liability – Continued

For the year ended September 30, 2015, the annual money-weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	General Employees' Pension Plan	Police Officers' Retirement Plan
Annual money-weighted rate of return	-1.35%	-0.25%

(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:

	General Employees' Plan			Police Officers' Retirement Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at September 30, 2014	\$ 18,296,096	\$ 14,172,324	\$ 4,123,772	\$ 21,717,512	\$ 18,670,950	\$ 3,046,562
Prior Period Adjustment – Prepaid Contributions	-	1,673,671	(1,673,671)	-	764,801	(764,801)
Adjusted Balance at September 30, 2014 at September 30, 2014	18,296,096	15,845,995	2,450,101	21,717,512	19,435,751	2,281,761
Changes in the year:						
Service cost	449,137	-	449,137	610,822	-	610,822
Interest	1,247,292	-	1,247,292	1,638,723	-	1,638,723
Differences between actual and expected	816,952	-	816,952	(413,419)	-	(413,419)
Changes in assumption	-	-	-	-	-	-
Changes in benefits	-	-	-	-	-	-
Contributions – employer	-	900,000	(900,000)	-	1,300,027	(1,300,027)
Contributions – State	-	-	-	-	120,321	(120,321)
Contributions – employee	-	-	-	-	141,670	(141,670)
Projected earnings on investments	-	1,034,389	(1,034,389)	-	1,450,238	(1,450,238)
Differences between projected and actual earnings	-	(1,252,021)	1,252,021	-	(1,500,582)	1,500,582
Benefit payments	(746,172)	(746,172)	-	(957,396)	(957,396)	-
Administrative expenses	-	(22,481)	22,481	-	(35,551)	35,551
Net change	1,767,209	(86,285)	1,853,494	878,730	518,727	360,003
Balance at September 30, 2015	\$ 20,063,305	\$ 15,759,710	\$ 4,303,595	\$ 22,596,242	\$ 19,954,478	\$ 2,641,764

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

(8) Pension Expense

For the year ended September 30, 2015, the Sponsor will recognize pension expense of \$1,071,681 and \$866,181 for the general employees' and police officers' pension plans, respectively.

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

	General Employees' Pension Plan	Police Officers' Retirement Plan
Service cost incurred	\$ 449,137	\$ 610,822
Interest on total pension liability	1,247,292	1,638,723
Employee paid contribution	-	(141,670)
Differences between actual and expected experience	136,757	(59,059)
Projected earnings on investments	(1,034,389)	(1,450,238)
Differences between projected and actual earnings	250,404	300,117
Change in assumption	-	-
Amortization of prior year differences	-	(68,065)
Administrative expenses	22,480	35,551
	<u>1,071,681</u>	<u>866,181</u>
Total pension expense	\$ <u>1,071,681</u>	\$ <u>866,181</u>

(9) Deferred Inflows and Outflows

On September 30, 2015, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General Employees' Pension Plan		Police Officers' Retirement Plan		Total	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 680,195	\$ -	\$ -	\$ (558,552)	\$ 680,195	\$ (558,552)
Net difference between projected and actual earnings on pension plan investments	<u>1,001,617</u>	<u>-</u>	<u>1,200,465</u>	<u>-</u>	<u>2,202,082</u>	<u>-</u>
	<u>\$ 1,681,812</u>	<u>\$ -</u>	<u>\$ 1,200,465</u>	<u>\$ (558,552)</u>	<u>\$ 2,882,277</u>	<u>\$ (558,552)</u>

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2015**

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

(9) Deferred Inflows and Outflows –Continued

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>
2016	\$ 387,161	\$ 172,993
2017	387,161	172,992
2018	387,161	172,992
2019	387,161	241,056
2020	133,168	(59,060)
Thereafter	-	(59,060)
	<u>\$ 1,681,812</u>	<u>\$ 641,913</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 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%		

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2015**

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

(10) Calculation of Retirement Benefits

Amount of Retirement Benefit – Continued

(b) General Employees' Pension Plan – Continued

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

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2015**

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

(10) Calculation of Retirement Benefits – Continued

b. General Employees' Pension Plan – Continued

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. 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.

(c) 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.

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

7. Employee Benefit Plans – Continued:

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, 2015, 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. Through July 31, 2015, no new entrants were permitted into the 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 \$162,133 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.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2015**

7. Employee Benefit Plans – Continued:

D. Post-Employment Benefits Other Than Pension – Continued

(2) Funding Policy

The Town is financing the post-employment benefits on a pay-as-you-go basis. For fiscal year 2015, 23 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 \$238,000. At September 30, 2015, the Town recorded net OPEB obligations of \$1,893,508 for governmental activities and \$347,552 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, 2015, of \$281,692, \$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 – Continued

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>(238,000)</u>
Increase in net OPEB obligation	626,000
Net OPEB obligation, beginning of year	<u>1,616,000</u>
Net obligation, end of year	<u><u>\$ 2,242,000</u></u>

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

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, 2015, 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>
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

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

7. Employee Benefit Plans – Continued:

D. Post-Employment Benefits Other Than Pension – Continued

(4) Funded Status and Funding Progress

As of October 1, 2015, 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, 2015, the Town received \$225,840 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, 2015, the Town received \$187,251 in rental income from these sites.

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).

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued
September 30, 2015

8. Operating Leases – Continued:

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>
2016	\$ 60,000	\$ 56,692	\$ 116,692
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 – 2025	300,000	418,207	718,207
2026 – 2029	<u>210,000</u>	<u>360,411</u>	<u>570,411</u>
	<u>\$ 810,000</u>	<u>\$ 1,098,153</u>	<u>\$ 1,908,153</u>

Total fiscal 2015 rental expenditures under the ground lease were \$115,215 including \$55,215 of contingent rentals.

Total rents under all operating leases, including short-term, month-to-month rentals, were \$129,418 for the year ended September 30, 2015.

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, 2015, are as follows:

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2015</u>
Notes payable	\$ 5,929,744	\$ 5,800,000	\$ 3,857,634	\$ 7,872,110
Compensated absences	715,125	39,935	-	755,060
Other post employment benefits	<u>1,288,831</u>	<u>835,101</u>	<u>230,424</u>	<u>1,893,508</u>
	<u>\$ 7,933,700</u>	<u>\$ 6,675,036</u>	<u>\$ 4,088,058</u>	<u>\$ 10,520,678</u>

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

9. Long-Term Obligations – Continued:

A. Governmental Fund Type Long-Term Obligations – Continued

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>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 712,727	\$ 165,204	\$ 877,931
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 – 2025	3,400,377	245,179	3,645,556
2026 – 2030	750,000	38,343	788,343
2031 – 2035	24,500	57	24,557
	<u>\$ 7,872,110</u>	<u>\$ 947,650</u>	<u>\$ 8,819,760</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, monthly principal payments of \$12,500 plus variable interest of 69% of one-month LIBOR (1.89% at September 30, 2015, subject to adjustment monthly through December 2030, collateralized by non-ad valorem revenues of the Town.	\$ 2,274,500
Note payable – TD Bank Capital Improvement Refunding Revenue Note Series 2014, monthly payments of \$54,634 including fixed interest at 2.33% through December 2024, collateralized by non-ad valorem revenues of the Town.	5,450,654
Note payable – TD Bank Public Improvement Revenue Note Series 2013, monthly payments of \$2,553 including fixed interest at 1.64% through September 2020, collateralized by pledged revenues of the Town.	<u>146,956</u>
	<u>\$ 7,872,110</u>

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

9. Long-Term Obligations – Continued:

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, 2015, are as follows:

	Balance October 1, 2014	Additions	Reductions	Balance, September 30, 2015
Notes payable	\$ 4,314,951	\$ 1,957,273	\$ 2,102,865	\$ 4,169,359
Compensated absences	161,453	19,947	-	181,400
Other post employment benefits	326,627	28,899	7,974	347,552
	<u>\$ 4,803,031</u>	<u>\$ 2,006,119</u>	<u>\$ 2,110,839</u>	<u>\$ 4,698,311</u>

Description of proprietary fund type long-term obligations:

Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.7% per 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.	\$ 681,748
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.05% per 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.	702,750
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 1.95% per annum, payable in semiannual principal and interest payments of \$93,405 on March 15 and September 15 (beginning September 15, 2014) through September 15, 2017, uncollateralized.	<u>2,784,861</u>
	<u>\$ 4,169,359</u>

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2015

9. Long-Term Obligations – Continued:

B. Proprietary Fund Type Long-Term Obligations – Continued

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

Fiscal Year	Proprietary Fund Type		Total Debt Service
	Principal	Interest	
2016	\$ 233,244	\$ 89,282	\$ 322,526
2017	238,582	83,944	322,526
2018	244,042	78,484	322,526
2019	249,634	72,892	322,526
2020	255,355	67,172	322,527
2021 – 2025	1,280,783	331,848	1,612,631
2026 – 2030	1,061,455	120,921	1,182,376
2031 – 2035	606,264	23,872	630,136
	<u>\$ 4,169,359</u>	<u>\$ 868,415</u>	<u>\$ 5,037,774</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 \$83,883 and \$38,070 in the water and wastewater and stormwater funds, respectively, for the year ended September 30, 2015. 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, 2015.

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.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2015**

11. Commitments and Contingencies – Continued:

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 \$26 million in 2015 dollars over the next five years.

C. Mitigation with Miami-Dade 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. At this time, the County has put all municipal annexation applications on hold. There is no date set when these applications will again be considered.

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, 2015, were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Fund:		
Governmental funds:		
General fund	\$ 280,078	\$ -
Law enforcement trust fund	-	(486)
Town of Medley Foundation, Inc.	-	(13,336)
Proprietary funds:		
Water and wastewater fund	133,953	(240,129)
Stormwater utility fund	-	(146,661)
Medley Lakeside Retirement Park fund	-	(3,300)
Police gun range fund	-	(10,119)
	<u>\$ 414,031</u>	<u>\$ (414,031)</u>

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2015**

12. Other Required Individual Fund Disclosures – Continued:

A. Interfund Transactions and Balances – Continued

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

Interfund transfers for the year ended September 30, 2015, were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Medley Lakeside Retirement Park fund	\$ -	\$ 29,000
Water and Wastewater Fund:		
Medley Lakeside Retirement Park fund	-	126,000
Medley Lakeside Retirement Park Fund:		
General fund	29,000	-
Water and wastewater fund	126,000	-
	<u>\$ 155,000</u>	<u>\$ 155,000</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, 2015:

	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total</u>
Nonspendable:				
Prepays	\$ 80,708	\$ -	\$ -	\$ 80,708
Total nonspendable	<u>80,708</u>	<u>-</u>	<u>-</u>	<u>80,708</u>
Restricted:				
Law enforcement	-	2,165,663	-	2,165,663
Total restricted	<u>-</u>	<u>2,165,663</u>	<u>-</u>	<u>2,165,663</u>
Committed:				
Foundation activities	-	-	75,794	75,794
Total committed	<u>-</u>	<u>-</u>	<u>75,794</u>	<u>75,794</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>9,286,034</u>	<u>-</u>	<u>-</u>	<u>9,286,034</u>
Total fund balances	<u>\$ 15,366,742</u>	<u>\$ 2,165,663</u>	<u>\$ 75,794</u>	<u>\$ 17,608,199</u>

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued
September 30, 2015

14. Restatement of Net Position and Fund Balance:

GASB Statement No. 68, *Accounting and Financial Report for Pension, an amendment of GASB Statement No. 27*, was issued June 2012 and is effective for the Town beginning with the year ending September 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements, and result in the net position liability of each of the Town's pension plans being recorded as liabilities on the statement of net position.

The impact of the restatements on the governmental activities and business-type activities beginning net position at September 30, 2015, are as follows:

Governmental activities:

Net position, September 30, 2014 (prior to restatement)	\$ 145,814,016
Recording of beginning net pension liability	(3,895,411)
Recording of beginning deferred inflows related to net pension liability	(272,257)
Elimination of prepaid contributions	<u>(2,438,472)</u>
Net position, September 30, 2014 (restated)	<u>\$ 139,207,876</u>

Business-type activities:

	Water and Waste Water Fund	Stormwater Utility Fund	Other Proprietary Funds	Total Proprietary Funds
Net position, September 30, 2014 (prior to restatement)	\$ 19,555,055	\$ 13,988,355	\$ 406,824	\$ 33,950,234
Recording of beginning net pension liability	<u>(580,332)</u>	<u>(209,424)</u>	<u>(46,695)</u>	<u>(836,451)</u>
Net position, September 30, 2014 (restated)	<u>\$ 18,974,723</u>	<u>\$ 13,778,931</u>	<u>\$ 360,129</u>	<u>\$ 33,113,783</u>

The impact of the restatement on the general fund's beginning fund balance at September 30, 2015, is as follows:

Fund balance, September 30, 2014 (prior to restatement)	\$ 15,164,942
Elimination of prepaid pension contributions	<u>(2,438,472)</u>
Fund balance, September 30, 2014 (restated)	<u>\$ 12,726,470</u>

The impact of the restatement on the fiduciary funds' beginning net position at September 30, 2015, is as follows:

	General Employees' Pension Fund	Police Officers' Retirement Fund	Total Fiduciary Funds
Net position, September 30, 2014 (prior to restatement)	\$ 14,172,324	\$ 18,670,950	\$ 32,843,274
Elimination of prepaid pension contributions	<u>1,673,671</u>	<u>764,801</u>	<u>2,438,472</u>
Net position, September 30, 2014 (restated)	<u>\$ 15,845,995</u>	<u>\$ 19,435,751</u>	<u>\$ 35,281,746</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, 2015**

	Original and Final Budget	Actual	Variance
Revenues:			
Ad valorem taxes	\$ 10,484,230	\$ 10,202,596	\$ (281,634)
Utility taxes	1,247,237	1,334,347	87,110
Other general taxes	854,893	748,338	(106,555)
Intergovernmental	603,386	245,854	(357,532)
Permits, fees, and licenses	4,030,720	3,790,584	(240,136)
Fines and forfeitures	525,000	737,438	212,438
User charges	110,000	83,841	(26,159)
Miscellaneous	102,000	119,924	17,924
Total revenues	<u>17,957,466</u>	<u>17,262,922</u>	<u>(694,544)</u>
Expenditures:			
Current operating:			
General government	4,091,616	4,316,493	224,877
Public safety	6,323,711	6,725,999	402,288
Physical environment	1,322,033	1,117,408	(204,625)
Human services	1,456,029	1,462,069	6,040
Culture and recreation	801,551	719,631	(81,920)
Capital outlay	6,104,000	2,001,218	(4,102,782)
Debt service	494,296	4,050,832	3,556,536
Total expenditures	<u>20,593,236</u>	<u>20,393,650</u>	<u>(199,586)</u>
Deficiency of Revenues Over Expenditures	<u>(2,635,770)</u>	<u>(3,130,728)</u>	<u>(494,958)</u>
Other Financing Sources (Uses):			
Proceeds from issuance of debt	2,500,000	5,800,000	3,300,000
Transfers out	<u>-</u>	<u>(29,000)</u>	<u>(29,000)</u>
Total other financing sources (uses)	<u>2,500,000</u>	<u>5,771,000</u>	<u>3,271,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(135,770)	2,640,272	2,776,042
Fund Balances, beginning of year, restated	<u>15,164,942</u>	<u>12,726,470</u>	<u>(2,438,472)</u>
Fund Balances, end of year	<u>\$ 15,029,172</u>	<u>\$ 15,366,742</u>	<u>\$ 337,570</u>

TOWN OF MEDLEY, FLORIDA

**Defined Benefit Pension Trust Funds
Required Supplementary Information
Year Ended September 30, 2015**

A. Schedules of Funding Progress:

	Total Pension Liability ("TPL")	Plan Fiduciary Position ("PFP")	Net Pension Liability ("NPL")	PFP as % of TPL	Covered Payroll	NPL as % of Covered Payroll
General Employees' Pension Fund:						
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%
Police Officers' Retirement Fund						
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%
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") – Entry Age (b)	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
Other Post Employment Benefits:						
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%

B. Schedules of Employer Contributions:

	Employer Contribution	Annual Required Contributions ("ARC")	Contribution as % of ARC	Covered Payroll	Contribution as % of Covered Payroll
General Employees' Pension Fund:					
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%
Police Officers' Retirement Fund:					
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%

TOWN OF MEDLEY, FLORIDA
Defined Benefit Pension Trust Funds
Required Supplementary Information – Continued
Year Ended September 30, 2015

B. Schedules of Employer Contributions – Continued:

	Required Contribution	Percentage Contributed	Net Pension/OPEB Obligation (Asset)
Other Post Employment Benefits:			
From October 1, 2014, through September 30, 2015	\$ 238,000	28%	\$ 2,241,458
From October 1, 2013, through September 30, 2014	863,556	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

C. Notes to Required Supplementary Information:

	General Employees' Pension Fund	Police Officers' Retirement Fund	Other Post-Employment Benefits
Valuation date	October 1, 2015	October 1, 2015	October 1, 2013
Actuarial cost method	Aggregate	Frozen Initial Liability	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%	3.960% – 6.68%	3.00%
Inflation	2.50%	3.00%	Variable
Cost-of-living adjustments	Change in price index, 3.00% cap	N/A	N/A

D. Money Weighted Rate of Return – Pension Funds:

	General Employees' Pension Fund	Police Officers' Retirement Fund
Money weighted rate of return:		
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, 2015**

Assets	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Current Assets:			
Cash and cash equivalents	\$ 10,173	\$ 217,923	\$ 228,096
Receivables, net	-	17,333	17,333
Prepaid expenses	9,957	-	9,957
Total current assets	<u>20,130</u>	<u>235,256</u>	<u>255,386</u>
Capital Assets, net	<u>78,182</u>	<u>93,340</u>	<u>171,522</u>
Total assets	<u>98,312</u>	<u>328,596</u>	<u>426,908</u>
Deferred Outflows			
Related to pensions	<u>6,934</u>	<u>25,118</u>	<u>32,052</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	24,053	2,694	26,747
Due to other funds	<u>3,300</u>	<u>10,119</u>	<u>13,419</u>
Total current liabilities	<u>27,353</u>	<u>12,813</u>	<u>40,166</u>
Long-Term Obligations:			
Compensated absences	1,638	8,093	9,731
Other post employment benefits	-	8,291	8,291
Net pension liability	<u>17,706</u>	<u>64,144</u>	<u>81,850</u>
Total long-term liabilities	<u>19,344</u>	<u>80,528</u>	<u>99,872</u>
Total liabilities	<u>46,697</u>	<u>93,341</u>	<u>140,038</u>
Net Position			
Unrestricted	<u>58,549</u>	<u>260,373</u>	<u>318,922</u>
Total net position	<u>\$ 58,549</u>	<u>\$ 260,373</u>	<u>\$ 318,922</u>

TOWN OF MEDLEY, FLORIDA

**Other Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2015**

	<u>Medley Lakeside Retirement Park Fund</u>	<u>Police Gun Range Fund</u>	<u>Total Other Proprietary Funds</u>
Operating Revenues:			
User charges	\$ 187,251	\$ 225,840	\$ 413,091
Miscellaneous, other	-	3,981	3,981
Total operating revenues	<u>187,251</u>	<u>229,821</u>	<u>417,072</u>
Operating Expenses:			
Salaries, wages, and employee benefits	21,709	134,708	156,417
Contractual services, materials, and supplies	349,705	76,013	425,718
Depreciation and amortization	14,404	17,426	31,830
Total operating expenses	<u>385,818</u>	<u>228,147</u>	<u>613,965</u>
Operating Income (Loss)	<u>(198,567)</u>	<u>1,674</u>	<u>(196,893)</u>
Nonoperating Revenues:			
Interest income	<u>83</u>	<u>603</u>	<u>686</u>
Total nonoperating revenues	<u>83</u>	<u>603</u>	<u>686</u>
Income (Loss) Before Transfers	<u>(198,484)</u>	<u>2,277</u>	<u>(196,207)</u>
Transfers:			
Transfers in	<u>155,000</u>	<u>-</u>	<u>155,000</u>
Total transfers	<u>155,000</u>	<u>-</u>	<u>155,000</u>
Net Income (Loss)	(43,484)	2,277	(41,207)
Net Position, beginning of year, restated	<u>102,033</u>	<u>258,096</u>	<u>360,129</u>
Net Position, end of year	\$ <u><u>58,549</u></u>	\$ <u><u>260,373</u></u>	\$ <u><u>318,922</u></u>

TOWN OF MEDLEY, FLORIDA

**Other Proprietary Funds
Combining Statement of Cash Flows
Year Ended September 30, 2015**

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 187,251	\$ 234,981	\$ 422,232
Payments to suppliers	(347,234)	(68,606)	(415,840)
Payments to employees	(20,741)	(135,471)	(156,212)
Other receipts	-	3,981	3,981
Net cash provided by (used in) operating activities	<u>(180,724)</u>	<u>34,885</u>	<u>(145,839)</u>
Cash Flows From Noncapital Financing Activities:			
Transfers from other funds	155,000	-	155,000
Change in due from/to other funds	415	(32,220)	(31,805)
Net cash provided by (used in) noncapital financing activities	<u>155,415</u>	<u>(32,220)</u>	<u>123,195</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	-	(4,861)	(4,861)
Net cash used in capital and related financing activities	<u>-</u>	<u>(4,861)</u>	<u>(4,861)</u>
Cash Flows From Investing Activities:			
Interest income received	83	603	686
Net cash provided by investing activities	<u>83</u>	<u>603</u>	<u>686</u>
Net Decrease in Cash and Cash Equivalents	(25,226)	(1,593)	(26,819)
Cash and Cash Equivalents, beginning of year	<u>35,399</u>	<u>219,516</u>	<u>254,915</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 10,173</u></u>	<u><u>\$ 217,923</u></u>	<u><u>\$ 228,096</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (198,560)	\$ 1,698	\$ (196,862)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	14,404	17,426	31,830
Bad debt	-	11,435	11,435
Changes in:			
Receivables	-	9,141	9,141
Prepaid expenses	(9,957)	-	(9,957)
Deferred outflows of resources	(6,934)	(25,118)	(32,052)
Accounts payable and accrued liabilities	12,428	(4,028)	8,400
Compensated absences	297	(3,195)	(2,898)
Net pension liability	<u>7,598</u>	<u>27,526</u>	<u>35,124</u>
Net cash provided by (used in) operating activities	<u><u>\$ (180,724)</u></u>	<u><u>\$ 34,885</u></u>	<u><u>\$ (145,839)</u></u>

SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION

TOWN OF MEDLEY, FLORIDA

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2015**

<u>Description</u>	<u>Federal CFDA/ State CSFA Number</u>	<u>Contract Grant Number</u>	<u>Total Expenditures</u>	<u>Pass-Through to Sub- Recipients</u>
Federal Programs:				
U.S. Department of Justice:				
Equitable Sharing Program	16.922*		\$ 1,437,690	\$ -
Passed-through Florida Department Law Enforcement:				
Edward Byrne Memorial Justice Assistance Grant Program	16.938	2015-JAGD-DADE- 9-R1	<u>1,789</u>	<u>-</u>
Total federal awards			<u>\$ 1,439,479</u>	<u>\$ -</u>
State Projects:				
Florida Department of Environmental Protection:				
Small Community Wastewater Facility Grant	37.075*	SG777081	\$ 1,896,241	\$ -
Wastewater Treatment Facility Construction	37.077	SW130700	<u>230,063</u>	<u>-</u>
Total state financial assistance			<u>\$ 2,126,304</u>	<u>\$ -</u>

* Denotes major program

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

The supplementary schedule of expenditures of federal awards and state financial assistance is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*; therefore, some amounts in this schedule may differ from amounts presented in, or used in, preparation of the financial statements.

See Independent Auditors' Report on Compliance for Each Major Federal Program
and State Project and on Internal Control Over Compliance Required by
OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*

**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 of Town of the Medley, Florida (the "Town") as of and for the year ended September 30, 2015, 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 30, 2016.

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 2015-01 and 2015-02).

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 2015-03 through 2015-05).

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 questioned costs. 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.

WithumSmith+Brown, PC

Orlando, Florida
June 30, 2016

**Independent Auditors' Report on Compliance for Each Major Federal Program and State Project
and on Internal Control Over Compliance Required by OMB Circular A-133 and
Chapter 10.550, Rules of the Auditor General**

Honorable Mayor and Town Council
Town of Medley, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the Town of Medley, Florida's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs and state projects for the year ended September 30, 2015. The Town's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

WithumSmith+Brown, PC

Orlando, Florida
June 30, 2016

TOWN OF MEDLEY, FLORIDA

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2015**

I. Summary of Auditors' Results:

1. Financial Statements:

- | | |
|---|------------|
| a. The type of auditors' report issued on the financial statements | Unmodified |
| b. Internal control over financial reporting: | |
| 1) Material weaknesses identified? | Yes |
| 2) Significant deficiencies identified not considered to be material weaknesses | Yes |
| c. Noncompliance that is material to the financial statements reported? | No |

2. Federal Awards:

- | | |
|---|---|
| a. Internal control over major programs: | |
| 1) Material weaknesses identified? | No |
| 2) Significant deficiencies identified not considered to be material weaknesses | None reported |
| b. The type of auditors' report issued on compliance for major programs | Unmodified |
| c. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | No |
| d. Identification of major programs: | |
| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
| 16.922 | Equitable Sharing Program |
| e. Dollar threshold used to distinguish between Type A and Type B programs | \$300,000 |
| f. Auditee qualified as low-risk auditee? | No |

TOWN OF MEDLEY, FLORIDA

**Schedule of Findings and Questioned Costs – Continued
Year Ended September 30, 2015**

I. Summary of Auditors' Results – Continued:

3. State Financial Assistance:

a. Internal control over major state projects:

- | | |
|---|---------------|
| 1) Material weaknesses identified? | No |
| 2) Significant deficiencies identified not considered to be material weaknesses | None reported |

b. The type of auditors' report issued on compliance for major state projects	Unmodified
---	------------

c. Any audit findings disclosed that are required to be reported reported under Section 10.557, <i>Rules of the Auditor General</i>	No
---	----

d. Identification of major state projects:

<u>CSFA Number</u>	<u>Name of Major State Program</u>
37.075	Small Community Wastewater Facility Grant

e. Dollar threshold used to distinguish between Type A and Type B	\$300,000
---	-----------

f. Qualify as low risk auditee?	No
---------------------------------	----

TOWN OF MEDLEY, FLORIDA

Schedule of Findings and Questioned Costs – Continued Year Ended September 30, 2015

II. Findings Relating to the Financial Statements Reported in Accordance With Government Auditing Standards:

MATERIAL WEAKNESSES:

2015-01 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: On a quarterly basis, the Town Council will review, approve, and enter into the public record quarterly financial statements prepared and presented by staff.

Because of inherent weaknesses in the accounting system, nonstandard journal entries such as balancing the trial balance need to be prepared by the finance director. The responsibility of preparing these journal entries will be shifted from the finance director to the assistant finance director. The finance director can then review and approve those entries.

2015-02 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.

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: The Town accounts for its major capital assets on an annual basis. An inventory of major equipment and all vehicles are taken and reported to the insurance company for coverage. The Town will consider performing an inventory on smaller items such as laptops, desktops, printers, and the small equipment used in the field. The costs of performing a physical inventory on small items may be greater than the benefits derived.

The Town Council has instituted a five-year capital improvement plan which addresses its infrastructure needs. As the plan is implemented and construction begins, the title issues will be addressed.

TOWN OF MEDLEY, FLORIDA

Schedule of Findings and Questioned Costs – Continued Year Ended September 30, 2015

II. Findings Relating to the Financial Statements Reported in Accordance With Government Auditing Standards – Continued:

SIGNIFICANT DEFICIENCIES:

2015-03 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.

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: The Town has determined that its current licensing and permitting software does not meet its needs. One issue we have is that the reports generated do not integrate with the general ledger.

The Town has purchased fully integrated financial management, community development, utilities management, internal services, and ancillary applications software which is in the implementation process as of this writing. Go live will occur throughout the summer of 2016 with a final completion date in October 2016.

2015-04 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.

TOWN OF MEDLEY, FLORIDA

Schedule of Findings and Questioned Costs – Continued Year Ended September 30, 2015

II. Findings Relating to the Financial Statements Reported in Accordance With Government Auditing Standards – Continued:

SIGNIFICANT DEFICIENCIES – CONTINUED:

2015-04 Purchasing Procedures:

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: The Town has implemented new policies which should increase internal controls on purchases of items by credit card. When practicable, department heads have been instructed to purchase items using the Town's available credit directly from the vendor, rather than by credit card. Furthermore, department heads have been instructed to follow the procurement ordinance and write down in detail reasons why the procurement ordinance was not strictly followed. Such reasons, such as sole source vendor and prior approval by Town Council, needs to be detailed on the invoices as they are being paid.

2015-05 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. Section 44-4 of the Code allows employees to convert unused sick time in excess of 80 hours into compensatory time or into cash at the employee's prevailing hourly rate at the time of conversion. As a result, the Town is contributing 5% towards the employee's pension each time the conversion to cash is made that would otherwise not be eligible for the benefit.

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: The Town's attorneys are reviewing all payroll procedures as it relates to employees not covered under a collective bargaining agreement. The intention is to repeal all code provisions which are inconsistent with federal law and current practice and to implement new policies and procedures which are consistently applied to stated employees. In addition, the Town is currently in contract negotiations with one of its employee unions. In some instances, current practice is more generous than the union contract. Inconsistencies with contract provisions and current practice are being discussed and reconciled.

TOWN OF MEDLEY, FLORIDA

**Schedule of Findings and Questioned Costs – Continued
Year Ended September 30, 2015**

III. Findings and Questioned Costs Relating to Federal Awards and State Financial Assistance:

None reported

IV. Summary of Prior Year Findings Relating to Federal Awards and State Financial Assistance:

No prior year findings.

TOWN OF MEDLEY, FLORIDA

Status of Prior Year Recommendations

<u>Prior Year Findings</u>	<u>Prior Year Reference Number</u>	<u>Current Year Status</u>	<u>Present in Second Preceding Year Report</u>
Supervisory Review	2014-01	Not corrected	Yes – Item 2013-01
Capital Assets	2014-02	Not corrected	Yes – Item 2013-02
Licenses and Permits	2014-03	Not corrected	Yes – Item 2013-03
Purchasing Procedures	2014-04	Not corrected	Yes – Item 2013-04
Compensated Absences	2013-05	Not Corrected	No

**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, 2015, and have issued our report thereon dated June 30, 2016.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; 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*, Independent Auditors’ Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 30, 2016, 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 77.

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*, requires that we 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*, requires that we report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2015, 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, 2015. 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.

Withum Smith+Brown, PC

Orlando, Florida
June 30, 2016

**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, 2015. 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, 2015.

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

Orlando, Florida
June 30, 2016