

TOWN OF MEDLEY, FLORIDA
Financial Section, Required Supplementary Information,
Combining Fund Statements, and Supplementary Financial
Reports Compliance Section
September 30, 2017
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council
Town of Medley, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as each fiduciary fund type, of the Town of Medley, Florida (the "Town") as of and for the year ended September 30, 2017, 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, 2017, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the defined benefit pension information on pages 3 through 13 and 60 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor fund financial statements on pages 69 through 71 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of the Town of Medley, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



June 27, 2018

Town of Medley, Florida

Management's Discussion and Analysis

September 30, 2017

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, 2017.

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

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$178,823,515 (*net position*). Of this amount, \$16,448,366 (*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 decreased by \$452,986 or by approximately 0.3%. This is comprised of a decrease of \$1,531,417 in governmental activities and an increase of \$1,078,431 in business-type activities.
- The decrease in governmental activities was attributable to expenses being greater than revenues. Compared to last year, when there was an increase in net position of \$115,237, current year's decrease in net position was \$1,531,417. Total revenues decreased by \$963,318 primarily due to decreases in other general taxes, permit fees, fines, and charges for services. Total governmental expenditures increased from 2016 by \$683,336 primarily due to increases in general government, public safety and human services expenses.
- 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 \$567,172, current year's increase in net position was \$1,078,431. Revenues decreasing include user charges and service and hook-up charges by \$43,390 and grants by \$205,121. Operating expenses decreased by \$772,804, primarily due to a decrease in sewer treatment costs.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$14,118,520, a decrease of \$1,644,738 in comparison with the prior year. Of this amount, \$12,201,590 is *available for spending* at the government's discretion (*assigned or unassigned fund balance*) of which \$9,200,000 has been assigned for future projects and expenditures consisting of \$2,000,000 for pensions, \$5,000,000 for working capital, \$900,000 for debt service, and \$1,300,000 for health insurance for retired employees.
- The Town's total long-term obligations decreased by \$1,742,743, the net effect which is comprised of an increase in amounts due for compensated absences and other post-employment benefits liabilities, principal payments on existing debt, and a decrease in net pension liability.
- The total fair value of the Town's unrestricted cash and investments at September 30, 2017, was \$26,168,772, a decrease of \$4,089,257 from the prior year.

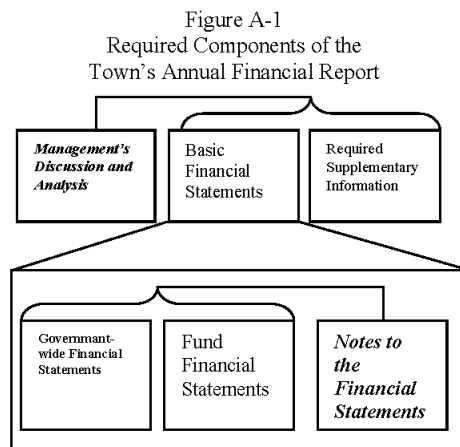
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



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

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

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

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

Fiduciary funds. The fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2017

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 67 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 68 through 71 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The table below summarizes the statements of net position:

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2017	2016	2017	2016	2017	2016		
Current assets	\$ 13,235,045	\$ 15,314,034	\$ 14,649,834	\$ 16,431,076	\$ 27,884,879	\$ 31,745,110	\$ (3,860,231)	(12.2) %
Noncurrent assets	1,724,881	1,674,399	630,948	927,173	2,355,829	2,601,572	(245,743)	(9.4)
Capital assets, net	139,920,921	139,957,413	30,668,408	27,891,724	170,589,329	167,849,137	2,740,192	1.6
Total assets	154,880,847	156,945,846	45,949,190	45,249,973	200,830,037	202,195,819	(1,365,782)	(0.7)
Deferred Outflows	2,424,445	2,356,187	629,872	437,084	3,054,317	2,793,271	261,046	9.3
Long-term obligations outstanding	12,998,681	14,443,442	5,176,878	5,474,860	18,175,559	19,918,302	(1,742,743)	(8.7)
Other liabilities	746,144	1,072,228	2,065,961	2,080,625	2,812,105	3,152,853	(340,748)	(10.8)
Total liabilities	13,744,825	15,515,670	7,242,839	7,555,485	20,987,664	23,071,155	(2,083,491)	(9.0)
Deferred Inflows	3,307,055	2,001,534	766,120	639,900	4,073,175	2,641,434	1,431,741	54.2
Net position:								
Investment in capital assets, net of related debt	133,487,316	132,798,030	26,970,903	23,955,639	160,458,219	156,753,669	3,704,550	2.4
Restricted	1,916,930	1,774,725	-	-	1,916,930	1,774,725	142,205	8.0
Unrestricted	4,849,166	7,212,074	11,599,200	13,536,033	16,448,366	20,748,107	(4,299,741)	(20.7)
Total net position	\$ 140,253,412	\$ 141,784,829	\$ 38,570,103	\$ 37,491,672	\$ 178,823,515	\$ 179,276,501	\$ (452,986)	(0.3) %

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 \$178,823,515 at September 30, 2017.

The largest portion of the Town's net position, \$160,458,219, or 90%, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2017

An additional portion of the Town's net position, \$1,916,930, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$16,448,366, may be used to meet the government's ongoing obligations to residents and creditors.

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

Governmental and business-type activities. Governmental activities decreased the Town's net position by \$1,531,417, whereas business-type activities increased the Town's net position by \$1,078,431. This resulted in a decrease in total net position of \$452,986.

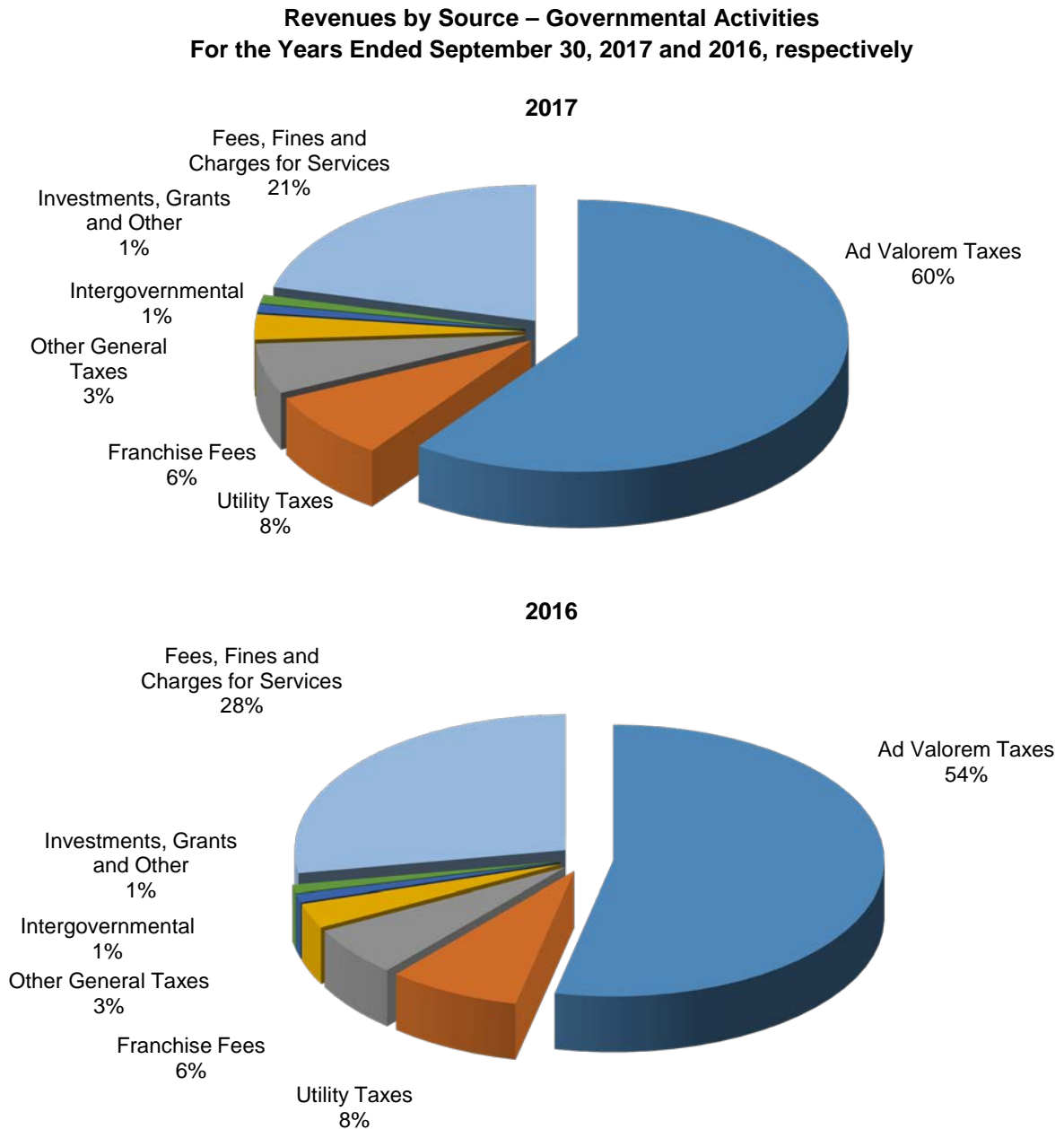
The table below summarizes the statements of activities:

Town of Medley, Florida
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>September 30,</u>		<u>September 30,</u>		<u>September 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>		
Revenues								
Program revenues								
Fees, fines, and charges for services	\$ 3,498,243	\$ 4,945,377	\$ 7,899,357	\$ 7,942,747	\$ 11,397,600	\$ 12,888,124	\$ (1,490,524)	(11.6) %
Operating grants and contributions	4,463	2,639	133,979	90,790	138,442	93,429	45,013	48.2
Capital grants and contributions	-	-	199,879	405,000	199,879	405,000	(205,121)	(50.6)
General revenues:								
Ad valorem taxes	9,939,329	9,550,304	-	-	9,939,329	9,550,304	389,025	4.1
Utility taxes	1,409,992	1,373,944	-	-	1,409,992	1,373,944	36,048	2.6
Franchise fees	1,025,198	981,134	-	-	1,025,198	981,134	44,064	4.5
Other general taxes	464,068	522,641	-	-	464,068	522,641	(58,573)	(11.2)
Intergovernmental	216,674	213,649	-	-	216,674	213,649	3,025	1.4
Investment earnings	102,716	89,650	102,813	118,921	205,529	208,571	(3,042)	(1.5)
Miscellaneous	132,130	116,908	-	-	132,130	116,908	15,222	13.0
Internal activity:								
Transfers	(164,307)	(204,422)	164,307	204,422	-	-	-	-
Total revenues and transfers	<u>16,628,506</u>	<u>17,591,824</u>	<u>8,500,335</u>	<u>8,761,880</u>	<u>25,128,841</u>	<u>26,353,704</u>	<u>(1,224,863)</u>	<u>(4.6)</u>
Expenses								
General government	6,375,443	5,838,843	-	-	6,375,443	5,838,843	536,600	9.2
Public safety	8,086,500	7,703,913	-	-	8,086,500	7,703,913	382,587	5.0
Physical environment	1,097,954	1,441,639	-	-	1,097,954	1,441,639	(343,685)	(23.8)
Human services	1,574,695	1,498,662	-	-	1,574,695	1,498,662	76,033	5.1
Culture and recreation	866,019	824,658	-	-	866,019	824,658	41,361	5.0
Interest	159,312	168,872	83,944	73,049	243,256	241,921	1,335	0.6
Water and wastewater	-	-	5,152,505	5,473,039	5,152,505	5,473,039	(320,534)	(5.9)
Stormwater utility	-	-	1,538,093	1,990,071	1,538,093	1,990,071	(451,978)	(22.7)
Medley Lakeside Retirement Park	-	-	375,409	405,757	375,409	405,757	(30,348)	(7.5)
Police gun range	-	-	271,953	252,792	271,953	252,792	19,161	7.6
Total expenses	<u>18,159,923</u>	<u>17,476,587</u>	<u>7,421,904</u>	<u>8,194,708</u>	<u>25,581,827</u>	<u>25,671,295</u>	<u>(89,468)</u>	<u>(0.3)</u>
Increase (Decrease) in Net Position	<u>(1,531,417)</u>	<u>115,237</u>	<u>1,078,431</u>	<u>567,172</u>	<u>(452,986)</u>	<u>682,409</u>	<u>(1,135,395)</u>	<u>(166.4)</u>
Net Position, beginning of year	<u>141,784,829</u>	<u>141,669,592</u>	<u>37,491,672</u>	<u>36,924,500</u>	<u>179,276,501</u>	<u>178,594,092</u>	<u>682,409</u>	<u>0.4</u>
Net Position, end of year	<u>\$ 140,253,412</u>	<u>\$ 141,784,829</u>	<u>\$ 38,570,103</u>	<u>\$ 37,491,672</u>	<u>\$ 178,823,515</u>	<u>\$ 179,276,501</u>	<u>\$ (452,986)</u>	<u>(0.3) %</u>

Governmental activities. Governmental activities decreased the Town's net position by \$1,531,417.

Revenues. The following chart shows the amounts of program and general revenues for fiscal years 2017 and 2016:



The Town is heavily reliant on property taxes to support governmental functions. Property taxes provided 60% of the Town's total revenues as compared to 54% in fiscal year 2016. Other general taxes, which include communication services taxes, provided 3% of the Town's total revenues in both fiscal year 2017 and 2016. Franchise fees and utility taxes provided 14% of the revenues in both fiscal year 2017 and 2016.

Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2017

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

	<u>Total Cost of Services</u>	<u>Percentage of Total</u>
General government	\$ 6,375,443	35.1%
Public safety	8,086,500	44.5
Physical environment	1,097,954	6.0
Human services	1,574,695	8.7
Culture and recreation	866,019	4.8
Interest	159,312	0.9
	<u>\$ 18,159,923</u>	<u>100.0%</u>

Expenses for governmental activities increased \$683,336 from the prior year. The increase is mostly attributable to increased general government and public safety costs.

Business-type activities. Business-type activities increased the Town's net position by \$1,078,431.

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 2017 and 2016:

	<u>Fiscal Year</u>	
	<u>2017</u>	<u>2016</u>
Water and wastewater	\$ 405,201	\$ 204,140
Stormwater utility	779,842	391,001
	<u>\$ 1,185,043</u>	<u>\$ 595,141</u>

The following includes an analysis of the fiscal year 2017 financial activities for each fund:

- The water and wastewater fund had an increase in net position of \$405,201. Operating revenues increased by \$69,316 from the prior year due to increased user charges. Operating expenses decreased by \$320,534 from the prior year. This is mostly attributable to a decrease in sewer treatment costs.
- The water and wastewater fund recognized capital contributions of \$189,879. This was a decrease of \$65,121 from the prior year. Grant revenues decreased \$90,790 from the prior year.
- The stormwater utility fund had an increase in net position of \$779,842. Operating revenues decreased by \$62,709 due to ERU adjustments in accordance with the terms of agreements with the owners of specific large properties. Operating expenses decreased by \$451,978 from the prior year. This was mostly attributable to a decrease in contractual services, specifically in how sewer treatment costs are accounted for.

Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2017

Nonmajor fund – Medley Lakeside Retirement Park. There were transfers from the general fund of \$164,307 to the Medley Lakeside Retirement Park which are recorded as revenue in that fund. This fund continues to experience operating losses due to the fact that land rents collected from residents do not cover operating expenses. The Medley Town Council has directed that the Town continue to support the retirement park's operations as needed.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

	Governmental Funds			Total
	General Fund	Law Enforcement Trust Fund	Town of Medley Foundation, Inc.	
Revenue	\$ 16,549,675	\$ 216,363	\$ 26,775	\$ 16,792,813
Expenditures	(18,136,641)	(109,957)	(26,646)	(18,273,244)
Other financing sources (uses), net	(164,307)	-	-	(164,307)
	<u>\$ (1,751,273)</u>	<u>\$ 106,406</u>	<u>\$ 129</u>	<u>\$ (1,644,738)</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 \$14,118,520, a decrease of \$1,644,738 in comparison with the prior year. Key components decreasing fund balance are as follows:

- A reduction in the millage rate from 5.5791 mills to 5.5000 mills.
- A 3% increase in departmental expenses, primarily due to increases in wages and benefits, insurance costs, and professional fees.
- An increase in capital outlay expenditures of \$1,610,721 from the prior year.
- A decrease of \$1,260,560 in permits, fees, and licenses revenues from the prior 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 \$12,201,590. 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 67% 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 \$1,078,431. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual revenues were lower than the budget by \$2,475,775. This was primarily due to the net effects of the following variances:

- Ad valorem collections were \$38,079 lower than budgeted because of value adjustments and delinquent payments.
- Utility taxes were \$107,992 over budget.
- Other general tax collections were \$147,275 under budget due primarily to decreases in communication services tax revenue.
- Permits, fees, and licenses revenue was \$1,161,689 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 \$816,919 under budget. This was due to a number of red light cameras being inoperable during portions of fiscal year 2017.
- User chargers were \$178,200 over budget due to off-duty police work collected from the vendor directly to the Town, with the Town paying the police officers through payroll.

Actual expenditures were lower than budget by \$3,471,857. This was primarily caused by capital outlay, which was \$3,026,016 lower than budget due to deferral of projects and delays in new construction.

Additional information on budgetary comparisons between the final budget and actual results can be found on page 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, 2017, amounts to \$170,589,329 (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,			
	2017	2016	2017	2016	2017	2016		
Land and improvements	\$ 9,989,832	\$ 5,226,539	\$ 799,239	\$ 799,239	\$ 10,789,071	\$ 6,025,778	\$ 4,763,293	79.0 %
Construction in progress	1,242,825	5,620,098	7,800,837	4,548,249	9,043,662	10,168,347	(1,124,685)	(11.1)
Buildings and improvements	15,304,803	14,073,169	1,020,570	1,101,708	16,325,373	15,174,877	1,150,496	7.6
Infrastructure	143,359,347	143,359,347	-	-	143,359,347	143,359,347	-	0.0
Machinery, equipment, and vehicles	5,713,791	5,680,817	3,085,548	2,959,582	8,799,339	8,640,399	158,940	1.8
Water and wastewater systems	-	-	24,664,361	24,225,458	24,664,361	24,225,458	438,903	1.8
Stormwater systems	-	-	11,210,525	11,210,525	11,210,525	11,210,525	-	0.0
Total	175,610,598	173,959,970	48,581,080	44,844,761	224,191,678	218,804,731	5,386,947	2.5
Accumulated depreciation	(35,689,677)	(34,002,557)	(17,912,672)	(16,953,037)	(53,602,349)	(50,955,594)	(2,646,755)	5.2
	<u>\$ 139,920,921</u>	<u>\$ 139,957,413</u>	<u>\$ 30,668,408</u>	<u>\$ 27,891,724</u>	<u>\$ 170,589,329</u>	<u>\$ 167,849,137</u>	<u>\$ 2,740,192</u>	1.6 %

Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2017

Additional information on the Town's capital assets can be found in Note 4 on pages 39 through 41 of this report.

Long-term obligations. At year end, the Town had \$10,131,110 in notes outstanding versus \$11,095,468 last year. Repayments of debt amounted to \$964,358. Included in long-term obligations of the governmental fund and proprietary fund types are \$974,943 and \$236,611 in accrued compensated absence liabilities and \$3,477,646 and \$440,265 in accrued other post-employment benefits liabilities, respectively.

The following table reports long-term obligation balances at September 30, 2017 and 2016:

	Governmental Activities			Balance September 30, 2017
	Balance October 1, 2016	Additions	Reductions	
Notes payable	\$ 7,159,383	\$ -	\$ 725,778	\$ 6,433,605
Compensated absences	769,821	205,122	-	974,943
Other post employment benefits	2,493,612	1,200,887	216,853	3,477,646
	<u>\$ 10,422,816</u>	<u>\$ 1,406,009</u>	<u>\$ 942,631</u>	<u>\$ 10,886,194</u>
	Business-Type Activities			
	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017
Notes payable	\$ 3,936,085	\$ -	\$ 238,580	\$ 3,697,505
Compensated absences	207,596	30,652	1,637	236,611
Other post employment benefits	369,273	86,637	15,645	440,265
	<u>\$ 4,512,954</u>	<u>\$ 117,289</u>	<u>\$ 255,862</u>	<u>\$ 4,374,381</u>

Additional information on the Town's long-term debt can be found in Note 9 on pages 54 to 56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Given growth in the economy the Town expects ad valorem tax revenue to increase from the prior year despite a decrease in millage rate. The Town's taxable value has increased by approximately 3% since 2009.

The operating millage for the fiscal year ending September 30, 2018, is stated at 5.4000 mills. This represents an 8% increase over the rolled back rate and is lower than the 2017 millage rate of 5.5000 mills. Since 2003, the Town has been able to reduce millage by 44% from 7.8000 mills to 5.4000 mills.

The general fund's total 2018 departmental expenditures are budgeted at \$16,210,310 which is \$1,011,243 more than fiscal 2017 actual expenditures due to employee raises, increases in medical insurance costs and an increase in professional fees.

In fiscal year 2018, the Town has budgeted \$13.2 million in capital projects: \$5.6 million from the general fund and the balance from the water and stormwater utilities. Major projects include NW 89th Avenue and NW 93rd Street roadway and drainage improvements; Miami Canal seawall improvements; and several other major projects.

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

REQUESTS FOR INFORMATION

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

Town of Medley, Florida
Government-Wide Statement of Net Position
September 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 5,684,169	\$ 9,502,526	\$ 15,186,695
Investments	6,316,978	4,665,099	10,982,077
Receivables, net	548,259	967,272	1,515,531
Internal balances	564,673	(564,673)	-
Prepaid expenses	120,966	12,716	133,682
Notes receivable	-	66,894	66,894
	<u>13,235,045</u>	<u>14,649,834</u>	<u>27,884,879</u>
Restricted assets			
Cash and cash equivalents	163,846	630,948	794,794
Investments	1,561,035	-	1,561,035
Total restricted assets	<u>1,724,881</u>	<u>630,948</u>	<u>2,355,829</u>
Capital assets			
Capital assets not being depreciated	111,126,870	8,278,475	119,405,345
Capital assets being depreciated, net	<u>28,794,051</u>	<u>22,389,933</u>	<u>51,183,984</u>
Total capital assets	<u>139,920,921</u>	<u>30,668,408</u>	<u>170,589,329</u>
Total assets	<u>154,880,847</u>	<u>45,949,190</u>	<u>200,830,037</u>
Deferred Outflows			
Deferred outflows related to pensions	<u>2,424,445</u>	<u>629,872</u>	<u>3,054,317</u>
Liabilities			
Liabilities			
Accounts payable and accrued liabilities	746,144	1,654,209	2,400,353
Liabilities payable from restricted assets	-	411,752	411,752
Long-term obligations			
Due within one year	739,136	244,042	983,178
Due after one year	10,147,058	4,130,339	14,277,397
Net pension liability	<u>2,112,487</u>	<u>802,497</u>	<u>2,914,984</u>
Total liabilities	<u>13,744,825</u>	<u>7,242,839</u>	<u>20,987,664</u>
Deferred Inflows			
Unearned revenue	95,262	-	95,262
Deferred developer fees	-	88,749	88,749
Deferred inflows related to pensions	<u>3,211,793</u>	<u>677,371</u>	<u>3,889,164</u>
Total deferred inflows	<u>3,307,055</u>	<u>766,120</u>	<u>4,073,175</u>
Net Position			
Investment in capital assets, net of related debt	133,487,316	26,970,903	160,458,219
Restricted	1,916,930	-	1,916,930
Unrestricted	<u>4,849,166</u>	<u>11,599,200</u>	<u>16,448,366</u>
Total net position	<u>\$ 140,253,412</u>	<u>\$ 38,570,103</u>	<u>\$ 178,823,515</u>

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

Town of Medley, Florida
Government-Wide Statement of Activities
Year Ended September 30, 2017

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	\$ 6,375,443	\$ 2,796,279	\$ -	\$ -	\$ (3,579,164)	\$ -	\$ (3,579,164)
Public safety	8,086,500	701,964	4,463	-	(7,380,073)	-	(7,380,073)
Physical environment	1,097,954	-	-	-	(1,097,954)	-	(1,097,954)
Human services	1,574,695	-	-	-	(1,574,695)	-	(1,574,695)
Culture and recreation	866,019	-	-	-	(866,019)	-	(866,019)
Interest on long-term obligations	159,312	-	-	-	(159,312)	-	(159,312)
Total governmental activities	<u>18,159,923</u>	<u>3,498,243</u>	<u>4,463</u>	<u>-</u>	<u>(14,657,217)</u>	<u>-</u>	<u>(14,657,217)</u>
Business-type activities							
Water and wastewater utility	5,185,233	5,349,657	-	189,879	-	354,303	354,303
Stormwater utility	1,589,309	2,174,756	133,979	10,000	-	729,426	729,426
Medley Lakeside Retirement Park	375,409	190,202	-	-	-	(185,207)	(185,207)
Police gun range	271,953	184,742	-	-	-	(87,211)	(87,211)
Total business-type activities	<u>7,421,904</u>	<u>7,899,357</u>	<u>133,979</u>	<u>199,879</u>	<u>-</u>	<u>811,311</u>	<u>811,311</u>
	<u>\$ 25,581,827</u>	<u>\$ 11,397,600</u>	<u>\$ 138,442</u>	<u>\$ 199,879</u>	<u>(14,657,217)</u>	<u>811,311</u>	<u>(13,845,906)</u>
		General Revenues					
					9,939,329	-	9,939,329
					1,409,992	-	1,409,992
					464,068	-	464,068
					216,674	-	216,674
					1,025,198	-	1,025,198
					102,716	102,813	205,529
					132,130	-	132,130
					(164,307)	164,307	-
					<u>13,125,800</u>	<u>267,120</u>	<u>13,392,920</u>
					(1,531,417)	1,078,431	(452,986)
					141,784,829	37,491,672	179,276,501
					<u>\$ 140,253,412</u>	<u>\$ 38,570,103</u>	<u>\$ 178,823,515</u>

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

Town of Medley, Florida
Governmental Funds
Balance Sheet
September 30, 2017

	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 5,590,536	\$ -	\$ 93,633	\$ 5,684,169
Investments	6,316,978	-	-	6,316,978
Receivables, net	548,259	-	-	548,259
Due from other funds	927,632	-	-	927,632
Prepaid expenses	120,966	-	-	120,966
Restricted assets				
Cash and cash equivalents	-	163,846	-	163,846
Investments	-	1,561,035	-	1,561,035
Total assets	<u>\$ 13,504,371</u>	<u>\$ 1,724,881</u>	<u>\$ 93,633</u>	<u>\$ 15,322,885</u>
Liabilities, Deferred Inflows, and Fund Equity				
Liabilities				
Accounts payable and accrued liabilities	\$ 739,756	\$ 6,388	\$ -	\$ 746,144
Due to other funds	346,797	1,679	14,483	362,959
Total liabilities	<u>1,086,553</u>	<u>8,067</u>	<u>14,483</u>	<u>1,109,103</u>
Deferred inflows – unearned revenue	<u>95,262</u>	<u>-</u>	<u>-</u>	<u>95,262</u>
Fund equity				
Fund balance				
Nonspendable	120,966	-	-	120,966
Restricted	-	1,716,814	-	1,716,814
Committed	-	-	79,150	79,150
Assigned	9,200,000	-	-	9,200,000
Unassigned	3,001,590	-	-	3,001,590
Total fund equity	<u>12,322,556</u>	<u>1,716,814</u>	<u>79,150</u>	<u>14,118,520</u>
Total liabilities, deferred inflows, and fund equity	<u>\$ 13,504,371</u>	<u>\$ 1,724,881</u>	<u>\$ 93,633</u>	<u>\$ 15,322,885</u>

Continued

Town of Medley, Florida
Governmental Funds
Balance Sheet
September 30, 2017

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position:	
Total fund balance – total governmental funds	\$ 14,118,520
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$175,610,598, net of accumulated depreciation of \$35,689,677, are not financial resources and, therefore, are not reported in the funds.	139,920,921
Long-term obligations of \$10,886,194 are not due and payable in the current period and are not reported in the funds.	(10,886,194)
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	(2,112,487)
Deferred outflows related to pensions	2,424,445
Deferred inflows related to pensions	<u>(3,211,793)</u>
Net position of governmental activities	<u>\$ 140,253,412</u>

Town of Medley, Florida
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2017

	General Fund	Law Enforcement Trust Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 9,939,329	\$ -	\$ -	\$ 9,939,329
Utility taxes	1,409,992	-	-	1,409,992
Other general taxes	651,664	-	-	651,664
Intergovernmental	221,137	-	-	221,137
Permits, fees, and licenses	3,633,881	-	-	3,633,881
Fines and forfeitures	208,081	200,519	-	408,600
User charges	291,200	-	-	291,200
Miscellaneous	194,391	15,844	26,775	237,010
Total revenues	<u>16,549,675</u>	<u>216,363</u>	<u>26,775</u>	<u>16,792,813</u>
Expenditures				
Current operating:				
General government	4,770,304	-	-	4,770,304
Public safety	7,142,413	109,957	-	7,252,370
Physical environment	1,029,638	-	-	1,029,638
Human services	1,523,792	-	-	1,523,792
Culture and recreation	732,920	-	26,646	759,566
Capital outlay	2,052,484	-	-	2,052,484
Debt service	885,090	-	-	885,090
Total expenditures	<u>18,136,641</u>	<u>109,957</u>	<u>26,646</u>	<u>18,273,244</u>
Excess (deficit) of revenues over expenditures	<u>(1,586,966)</u>	<u>106,406</u>	<u>129</u>	<u>(1,480,431)</u>
Other financing uses				
Operating transfers – out	(164,307)	-	-	(164,307)
Total other financing uses	<u>(164,307)</u>	<u>-</u>	<u>-</u>	<u>(164,307)</u>
Excess (deficit) of revenues over expenditures and other financing uses	<u>(1,751,273)</u>	<u>106,406</u>	<u>129</u>	<u>(1,644,738)</u>
Fund balances,				
Beginning of year	<u>14,073,829</u>	<u>1,610,408</u>	<u>79,021</u>	<u>15,763,258</u>
End of year	<u>\$ 12,322,556</u>	<u>\$ 1,716,814</u>	<u>\$ 79,150</u>	<u>\$ 14,118,520</u>

Continued

Town of Medley, Florida
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2017

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	\$ (1,644,738)
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 \$2,052,484 was exceeded by depreciation of \$2,054,176 in the current period.	(1,692)
Loss on disposal of capital assets decrease net position in the statement of activities, but do not appear in the governmental funds because it is not a loss of financial resources.	(34,800)
Change in long-term compensated absences recognized in statement of activities, not recognized as expenditures.	(205,122)
Change in other post employment benefits liability recognized in statement of activities, not recognized as expenditures.	(984,034)
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.	725,778
Contributions made to the pension plan are shown as an expenditure in governmental funds and, thus has an effect on fund balance because current financial resources have been used for the Town as a whole; however, the contributions reduce net pension liability in the statement of net position and do not result in expense in the statement of activities.	1,670,940
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>(1,057,749)</u>
Change in net position of governmental activities	<u>\$ (1,531,417)</u>

Town of Medley, Florida
Proprietary Funds
Statement of Net Position
September 30, 2017

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Assets				
Current assets				
Cash and cash equivalents	\$ 6,157,486	\$ 3,163,242	\$ 181,798	\$ 9,502,526
Investments	2,049,602	2,615,497	-	4,665,099
Receivables, net	730,992	66,663	16,335	813,990
Due from other governments	153,282	-	-	153,282
Due from other funds	473	1,129,018	1,400	1,130,891
Prepaid expenses	2,380	-	10,336	12,716
Current portion of notes receivable	66,894	-	-	66,894
Total current assets	<u>9,161,109</u>	<u>6,974,420</u>	<u>209,869</u>	<u>16,345,398</u>
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	499,602	131,346	-	630,948
Total restricted assets	<u>499,602</u>	<u>131,346</u>	<u>-</u>	<u>630,948</u>
Non-restricted assets				
Capital assets, net	18,554,463	11,998,246	115,699	30,668,408
Total non-restricted assets	<u>18,554,463</u>	<u>11,998,246</u>	<u>115,699</u>	<u>30,668,408</u>
Total noncurrent assets	<u>19,054,065</u>	<u>12,129,592</u>	<u>115,699</u>	<u>31,299,356</u>
Total assets	<u>28,215,174</u>	<u>19,104,012</u>	<u>325,568</u>	<u>47,644,754</u>
Deferred Outflows				
Related to pensions	403,165	190,238	36,469	629,872
Total deferred outflows	<u>403,165</u>	<u>190,238</u>	<u>36,469</u>	<u>629,872</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	987,682	639,550	26,977	1,654,209
Due to other funds	1,662,150	-	33,414	1,695,564
Liabilities payable from restricted assets				
Utility deposits	411,752	-	-	411,752
Current portion of notes payable	112,696	131,346	-	244,042
Total current liabilities	<u>3,174,280</u>	<u>770,896</u>	<u>60,391</u>	<u>4,005,567</u>
Long-term obligations				
Notes payable, net of current portion	1,055,146	2,398,317	-	3,453,463
Compensated absences	145,482	67,800	23,329	236,611
Other post employment benefits	361,122	70,852	8,291	440,265
Net pension liability	513,657	242,374	46,466	802,497
Total long-term debt	<u>2,075,407</u>	<u>2,779,343</u>	<u>78,086</u>	<u>4,932,836</u>
Total liabilities	<u>5,249,687</u>	<u>3,550,239</u>	<u>138,477</u>	<u>8,938,403</u>
Deferred Inflows				
Related to pensions	433,569	204,583	39,219	677,371
Deferred developer fees	88,749	-	-	88,749
Total deferred inflows	<u>522,318</u>	<u>204,583</u>	<u>39,219</u>	<u>766,120</u>
Net Position				
Investment in capital assets, net of related debt	17,386,621	9,468,583	115,699	26,970,903
Unrestricted	5,459,713	6,070,845	68,642	11,599,200
Total net position	<u>\$ 22,846,334</u>	<u>\$ 15,539,428</u>	<u>\$ 184,341</u>	<u>\$ 38,570,103</u>

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

Town of Medley, Florida
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2017

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Operating revenues				
User charges	\$ 5,224,083	\$ 2,162,616	\$ 373,366	\$ 7,760,065
Service and hook-up charges	105,577	-	-	105,577
Miscellaneous other	19,997	12,140	1,578	33,715
Total operating revenue	<u>5,349,657</u>	<u>2,174,756</u>	<u>374,944</u>	<u>7,899,357</u>
Operating expenses				
Salaries, wages and employee benefits	1,434,813	590,750	206,356	2,231,919
Contractual services, materials, and supplies	3,056,706	580,507	412,550	4,049,763
Depreciation and amortization	660,986	366,836	28,456	1,056,278
Total operating expenses	<u>5,152,505</u>	<u>1,538,093</u>	<u>647,362</u>	<u>7,337,960</u>
Operating income (loss)	<u>197,152</u>	<u>636,663</u>	<u>(272,418)</u>	<u>561,397</u>
Non-operating revenues (expenses)				
Grants	-	133,979	-	133,979
Interest income	51,498	50,416	899	102,813
Interest expense	(32,728)	(51,216)	-	(83,944)
Total non-operating revenues	<u>18,770</u>	<u>133,179</u>	<u>899</u>	<u>152,848</u>
Income (loss) before other revenues and operating transfers	<u>215,922</u>	<u>769,842</u>	<u>(271,519)</u>	<u>714,245</u>
Other revenues and operating transfers				
Capital contributions	189,879	10,000	-	199,879
Operating transfers-in	-	-	164,907	164,907
Operating transfers-out	(600)	-	-	(600)
Total other revenues and operating transfers	<u>189,279</u>	<u>10,000</u>	<u>164,907</u>	<u>364,186</u>
Net income (loss)	405,201	779,842	(106,612)	1,078,431
Net position				
Beginning of year	<u>22,441,133</u>	<u>14,759,586</u>	<u>290,953</u>	<u>37,491,672</u>
End of year	<u>\$ 22,846,334</u>	<u>\$ 15,539,428</u>	<u>\$ 184,341</u>	<u>\$ 38,570,103</u>

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

Town of Medley, Florida
Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2017

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Cash flows from operating activities				
Receipts from customers and users	\$ 5,352,751	\$ 1,936,638	\$ 371,431	\$ 7,660,820
Payments to suppliers	(3,352,228)	(995,059)	(418,247)	(4,765,534)
Payments to employees	(1,415,160)	(588,578)	(210,173)	(2,213,911)
Other receipts	19,997	12,140	1,578	33,715
Net cash provided by (used in) operating activities	<u>605,360</u>	<u>365,141</u>	<u>(255,411)</u>	<u>715,090</u>
Cash flows from noncapital financing activities				
Decrease in current liabilities payable from restricted assets	(5,495)	-	-	(5,495)
Transfers from other funds	-	-	164,907	164,907
Transfers to other funds	(600)	-	-	(600)
Proceeds from operating grants	-	(10,000)	-	(10,000)
Change in due from/to other funds	315,723	(1,185,146)	14,415	(855,008)
Net cash provided by (used in) noncapital financing activities	<u>309,628</u>	<u>(1,195,146)</u>	<u>179,322</u>	<u>(706,196)</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(1,820,600)	(1,120,202)	-	(2,940,802)
Contributed capital	-	10,000	-	10,000
Proceeds from capital grants	-	133,979	-	133,979
Principal reduction on notes payable	(109,758)	(128,822)	-	(238,580)
Interest paid on notes payable	(32,728)	(51,216)	-	(83,944)
Net cash used in capital and related financing activities	<u>(1,963,086)</u>	<u>(1,156,261)</u>	<u>-</u>	<u>(3,119,347)</u>
Cash flows from investing activities				
Redemption of investments	1,167,116	510,720	-	1,677,836
Purchase of investments	(20,883)	(522,248)	-	(543,131)
Interest income received	53,661	50,360	899	104,920
Net cash provided by investing activities	<u>1,199,894</u>	<u>38,832</u>	<u>899</u>	<u>1,239,625</u>
Net increase (decrease) in cash and cash equivalents	151,796	(1,947,434)	(75,190)	(1,870,828)
Cash and cash equivalents				
Beginning of Year	<u>6,505,292</u>	<u>5,242,022</u>	<u>256,988</u>	<u>12,004,302</u>
End of Year	<u>\$ 6,657,088</u>	<u>\$ 3,294,588</u>	<u>\$ 181,798</u>	<u>\$ 10,133,474</u>

Continued

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

Town of Medley, Florida
Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2017

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Reported as follows in the statement of net position				
Cash and cash equivalents	\$ 6,157,486	\$ 3,163,242	\$ 181,798	\$ 9,502,526
Restricted cash and cash equivalents	499,602	131,346	-	630,948
	<u>\$ 6,657,088</u>	<u>\$ 3,294,588</u>	<u>\$ 181,798</u>	<u>\$ 10,133,474</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 197,152	\$ 636,663	\$ (272,418)	\$ 561,397
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	660,986	366,836	28,456	1,056,278
Bad debt expense	55,425	106,042	209	161,676
Loss on disposal of fixed asset	-	-	3,773	3,773
Changes in:				
Receivables	(35,128)	(91,999)	(1,935)	(129,062)
Due from other governments	(153,282)	-	-	(153,282)
Prepaid expenses	(2,380)	-	(10,336)	(12,716)
Notes receivable	58,219	-	-	58,219
Deferred outflows of resources	(122,813)	(58,713)	(11,262)	(192,788)
Accounts payable and accrued liabilities	(195,286)	(520,594)	657	(715,223)
Refundable advances	-	(133,979)	-	(133,979)
Compensated absences	15,678	12,622	715	29,015
Other post employment benefits	57,709	13,283	-	70,992
Deferred inflows of resources	172,403	82,059	15,737	270,199
Net pension liability	(103,323)	(47,079)	(9,007)	(159,409)
Net cash provided by (used in) operating activities	<u>\$ 605,360</u>	<u>\$ 365,141</u>	<u>\$ (255,411)</u>	<u>\$ 715,090</u>

Supplemental disclosure of noncash investing and financing activities

In the Water and Wastewater Fund, the Town received capital contributions in the form of capital assets of \$189,879.

In the Water and Wastewater Fund and the Stormwater Utility Fund, the Town had \$140,625 and \$565,429, respectively, of purchases of capital assets in accounts payable.

Town of Medley, Florida
Fiduciary Funds
Statement of Fiduciary Net Position
September 30, 2017

	Pension Trust Funds		
	General Employees' Pension Fund	Police Officers' Retirement Fund	Total
Assets			
Investments at fair value	<u>\$ 19,819,277</u>	<u>\$ 25,211,787</u>	<u>\$ 45,031,064</u>
Total assets	<u>19,819,277</u>	<u>25,211,787</u>	<u>45,031,064</u>
Liabilities			
Accounts payable	<u>3,836</u>	<u>-</u>	<u>3,836</u>
Total liabilities	<u>3,836</u>	<u>-</u>	<u>3,836</u>
Net position restricted for pension benefits	<u><u>\$ 19,815,441</u></u>	<u><u>\$ 25,211,787</u></u>	<u><u>\$ 45,027,228</u></u>

Town of Medley, Florida
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2017

	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>General Employees' Pension Fund</u>	<u>Police Officers' Retirement Fund</u>	
Additions			
Contributions			
Employer	\$ 1,000,000	\$ 1,011,680	\$ 2,011,680
Employee	-	152,218	152,218
Total contributions	<u>1,000,000</u>	<u>1,163,898</u>	<u>2,163,898</u>
Investment gains, including net unrealized loss on investments	<u>2,379,107</u>	<u>3,045,917</u>	<u>5,425,024</u>
Total additions	<u>3,379,107</u>	<u>4,209,815</u>	<u>7,588,922</u>
Deductions			
Benefit payments	856,112	1,121,040	1,977,152
Administrative expense	<u>8,241</u>	<u>24,940</u>	<u>33,181</u>
Total deductions	<u>864,353</u>	<u>1,145,980</u>	<u>2,010,333</u>
Change in net position	2,514,754	3,063,835	5,578,589
Net position restricted for pension benefits			
Beginning of year	<u>17,300,687</u>	<u>22,147,952</u>	<u>39,448,639</u>
End of year	<u>\$ 19,815,441</u>	<u>\$ 25,211,787</u>	<u>\$ 45,027,228</u>

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Town of Medley, Florida (the "Town") was incorporated under Chapter 165 of the Florida Statutes. The Town operates under a Council 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, 2017.

B. Financial Reporting Entity

The Town is a Florida municipal corporation with a five-member Town Council comprised of the Mayor and four Council persons. 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 established, management determined the following component unit should be blended:

Town of Medley Foundation, Inc.

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

C. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures for claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

E. Assets, Deferred Outflows/Inflows, 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, 2017, the carrying amount of the Town's deposits was \$15,981,489 and the bank balances of the Town's deposits were \$16,722,037. A portion of the bank balances was covered by federal deposit insurance and the remainder was covered by pledged collateral as required by Florida Statutes. All collateral is pledged in the Town's name and is held by a third party financial institution.

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

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

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

(2) Town of Medley's Investment Policies

(a) Credit Risk

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

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

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

(b) Interest Rate Risk

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

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

(c) Foreign Currency Risk

Foreign currency risk is the risk that the change in exchange rates will adversely affect the fair value of an investment. The Town's general employees' pension fund and the police officers' retirement fund hold \$2,016,521 and \$2,600,513, respectively, in various foreign equities as of September 30, 2017. The foreign holdings account for approximately 10% of each fund's respective investments. The pension plans have no investment policies that limit its investment choices as it relates to foreign equities.

(d) Defined Benefit Pension Trust Policy

The Town has established defined pension trust funds for the benefit of qualified Town employees. Investment policies provide for the investment managers, who have full discretion of assets allocated to them, be subject to overall investment guidelines set out in the policies. Manager performance is reviewed by a consultant who provides reports to the governing boards. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds, and mutual funds. The plans address custodial credit risk by providing for the engagement of custodians who accept possession of securities for safekeeping; collect and disburse income; collect principal of sold, matured, or called items; and provide a periodic accounting to the Town. The general employees' pension plan presently has allocated 27% of its investments in fixed income securities, 63% in domestic equity, and 10% in international stock. The police officers' retirement fund presently has allocated 29% of its investment in fixed income securities, 61% in domestic equity, and 10% in international equities.

For the year ended September 30, 2017, the annual money weighted rate of return on plan investments, net of investment expense, was 13.73% and 13.78% for the general employees' and police officers' plans, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

(e) Concentrations of Credit Risk

All of the investments in the pension funds are held by the Standard Insurance Company. Within those accounts, investments which comprise 5% or more of the plans' assets at September 30, 2017, are as follows:

	General Employees' Pension Plan	Police Officers' Retirement Fund
Harbor Bond	\$ 1,555,396	\$ 3,632,874
Hartford International Opportunity Y	995,552	-
MFS Value R5	3,200,584	-
Oakmark International I	-	2,600,513
Stable Asset Fund II	3,817,356	3,586,742
T. Rowe Price Growth Stock	3,237,047	-
Vanguard 500 Index Admiral DB	2,801,377	2,807,115
Vanguard Morgan Grwth Adml DB	-	2,861,606
Vanguard REIT Index Admiral DB	-	1,484,212
Vanguard Value Index Admiral DB	-	2,813,287
William Blair Intl Growth I	1,020,969	-
	<u>\$ 16,628,281</u>	<u>\$ 19,786,349</u>

(f) Fair Value Measurements

The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2: Inputs to the valuation methodology include:

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

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Town's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumption about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Town's own data.

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

The determination of what constitutes observable inputs requires judgment by Town management. Town management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment or liability within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to Town management's perceived risk of that investment or liability.

The following is a description of the recurring valuation methods and assumptions used by the Town to estimate the fair value of its investments. The methods described may produce fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Town of Medley, Florida
Notes to Financial Statements
September 30, 2017

Pooled separate accounts (“PSA”): PSAs are valued at net assets value (“NAV”) of shares held by the Plan at year end as reported by the fund managers. Each of the PSAs invests a wide variety of underlying investments such as equities, preferred stocks, bonds, real estate, and mutual funds. NAV is used as a practical expedient to estimate fair value. The PSAs are not required to be categorized within the fair value hierarchy.

The following tables set forth additional disclosures for investments in which fair value is measured using the NAV per share practical expedient as of September 30, 2017, for the General Employees’ Pension Fund and the Police Officers’ Retirement Fund, respectively.

General Employees’ Pension Fund				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled separate accounts	\$ 19,819,277	\$ -	Daily	Daily

Police Officers’ Retirement Fund				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled separate accounts	\$ 25,211,787	\$ -	Daily	Daily

(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.

Town of Medley, Florida
Notes to Financial Statements
September 30, 2017

(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 \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

	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

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, 2017, that are for fiscal year 2018 local business tax receipts and other licenses and fees. The proprietary funds report unavailable revenues from refundable advances and deferred developer fees. Refundable advances are related to advances of grant proceeds and customer charges. Deferred developer fees consist of amounts collected from Town property owners for the reimbursement to developers for the construction of water and wastewater and drainage systems. These amounts will be remitted to the developers. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. Details on the composition of deferred inflows related to pensions are reported in a subsequent note.

(8) Compensated Absences

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

(9) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance costs are expensed when paid.

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

(10) Fund Balances – Governmental Funds

As of September 30, 2017, fund balances of the governmental funds are classified as follows:

- Nonspendable fund balance – amounts that cannot be spent because of their nature (such as prepaid items) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance – amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town Council or by an official or body to which the Town Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

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

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

F. Employee Benefit Plans

(1) Employee Benefit Plans and Net Pension Assets

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

At September 30, 2017, the Town recorded net pension liabilities related to the General Employees’ Pension Plan and the Police Officers’ Retirement Plan in its government-wide statement of net position in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Please refer to Note 7 for further information.

(2) Post-Employment Benefits Other Than Pensions (“OPEB”)

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

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

G. Stewardship, Compliance, and Accountability

Budgetary Information

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

Legally Adopted Appropriated Budgets

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

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

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

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

Legally Authorized Nonappropriated Budgets

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

Town of Medley, Florida
Notes to Financial Statements
September 30, 2017

H. Estimates

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

I. Subsequent Events

The Town has evaluated subsequent events through June 27, 2018, the date which the financial statements were available to be issued.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents at September 30, 2017, consist of the following:

	Governmental Fund Types			Proprietary Fund Type	Total All Funds	Financial Institution Balance
	General Fund	Special Revenue Funds	Total Government Funds	Enterprise Funds		
Unrestricted						
Demand deposits	\$ 1,416,440	\$ 5,573	\$ 1,422,013	\$ 378,418	\$ 1,800,431	\$ 2,218,854
Money market funds	4,174,096	88,060	4,262,156	9,124,108	13,386,264	13,611,643
	<u>5,590,536</u>	<u>93,633</u>	<u>5,684,169</u>	<u>9,502,526</u>	<u>15,186,695</u>	<u>15,830,497</u>
Restricted						
Demand deposits	-	60,517 ³	60,517	-	60,517	60,517
Money market funds	-	103,329 ³	103,329	630,948 ^{1, 2 & 4}	734,277	831,023
	<u>-</u>	<u>163,846</u>	<u>163,846</u>	<u>630,948</u>	<u>794,794</u>	<u>891,540</u>
Total cash and cash equivalents	<u>\$ 5,590,536</u>	<u>\$ 257,479</u>	<u>\$ 5,848,015</u>	<u>\$ 10,133,474</u>	<u>\$ 15,981,489</u>	<u>\$ 16,722,037</u>

Town of Medley, Florida
Notes to Financial Statements
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Investments at September 30, 2017, consist of the following:

	Governmental Fund Types			Proprietary Fund Type	Total All Funds	Financial Institution Balance
	General Fund	Special Revenue Funds	Total Government Funds	Enterprise Funds		
Certificates of deposit:						
Unrestricted	\$ 6,316,978	\$ -	\$ 6,316,978	\$ 4,665,099	\$ 10,982,077	\$ 10,987,179
Restricted	-	1,561,035 ³	1,561,035	-	1,561,035	1,553,140
Total certificates of deposit	<u>\$ 6,316,978</u>	<u>\$ 1,561,035</u>	<u>\$ 7,878,013</u>	<u>\$ 4,665,099</u>	<u>\$ 12,543,112</u>	<u>\$ 12,540,319</u>

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

3. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables and due from other governments consist of the following at September 30, 2017:

	Governmental Fund	Enterprise Funds				Total
	General Fund	Water and Wastewater	Stormwater Utility	Police Gun Range	Total Enterprise	
Receivables						
User charges	\$ 18,657	\$ 825,991	\$ 185,366	\$ 20,835	\$ 1,032,192	\$ 1,050,849
Interest	5,357	-	6,298	-	6,298	11,655
Utility taxes	131,935	-	-	-	-	131,935
Franchise fees	159,975	-	-	-	-	159,975
Host fees	160,331	-	-	-	-	160,331
Other	6,375	-	-	-	-	6,375
Total receivables	<u>482,630</u>	<u>825,991</u>	<u>191,664</u>	<u>20,835</u>	<u>1,038,490</u>	<u>1,521,120</u>
Due from other governments						
Miami-Dade County	20,028	153,282	-	-	153,282	173,310
State of Florida	55,001	-	-	-	-	55,001
Total due from other governments	<u>75,029</u>	<u>153,282</u>	<u>-</u>	<u>-</u>	<u>153,282</u>	<u>228,311</u>
Allowance for doubtful accounts	(9,400)	(95,000)	(125,000)	(4,500)	(224,500)	(233,900)
	<u>\$ 548,259</u>	<u>\$ 884,273</u>	<u>\$ 66,664</u>	<u>\$ 16,335</u>	<u>\$ 967,272</u>	<u>\$ 1,515,531</u>
Bad debt expense for the year ended September 30, 2017	<u>\$ 4,525</u>	<u>\$ 55,425</u>	<u>\$ 106,042</u>	<u>\$ 209</u>	<u>\$ 161,676</u>	<u>\$ 166,201</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2017

4. CAPITAL ASSETS

A. Changes in Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance, October 1, 2016	Additions	Dispositions	Transfers	Balance, September 30, 2017
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 5,226,539	\$ -	\$ -	\$ 4,763,293	\$ 9,989,832
Infrastructure	99,894,213	-	-	-	99,894,213
Construction in progress	5,620,098	1,802,873	-	(6,180,146)	1,242,825
Total capital assets not being depreciated	<u>110,740,850</u>	<u>1,802,873</u>	<u>-</u>	<u>(1,416,853)</u>	<u>111,126,870</u>
Capital assets being depreciated:					
Buildings and improvements	14,073,169	-	(148,474)	1,380,108	15,304,803
Infrastructure	43,465,134	-	-	-	43,465,134
Transportation equipment	2,820,974	49,084	(70,975)	-	2,799,083
Machinery and equipment	2,859,843	200,527	(182,407)	36,745	2,914,708
Total capital assets being depreciated	63,219,120	249,611	(401,856)	1,416,853	64,483,728
Accumulated depreciation	<u>(34,002,557)</u>	<u>(2,054,176)</u>	<u>367,056</u>	<u>-</u>	<u>(35,689,677)</u>
Capital assets being depreciated, net	<u>29,216,563</u>	<u>(1,804,565)</u>	<u>(34,800)</u>	<u>1,416,853</u>	<u>28,794,051</u>
Governmental activities – capital assets, net	<u>\$ 139,957,413</u>	<u>\$ (1,692)</u>	<u>\$ (34,800)</u>	<u>\$ -</u>	<u>\$ 139,920,921</u>

Town of Medley, Florida
Notes to Financial Statements
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	Balance, October 1, 2016	Additions	Dispositions	Transfers	Balance, September 30, 2017
Business-type activities					
Capital assets not being depreciated:					
Land					
Water and wastewater fund	\$ 477,638	\$ -	\$ -	\$ -	\$ 477,638
	<u>477,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,638</u>
Construction in progress					
Water and wastewater fund	2,607,448	1,948,773	-	(267,122)	4,289,099
Stormwater utility fund	1,940,801	1,570,937	-	-	3,511,738
	<u>4,548,249</u>	<u>3,519,710</u>	<u>-</u>	<u>(267,122)</u>	<u>7,800,837</u>
Total capital assets not being depreciated	<u>5,025,887</u>	<u>3,519,710</u>	<u>-</u>	<u>(267,122)</u>	<u>8,278,475</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	24,225,458	195,761	-	243,142	24,664,361
Stormwater utility fund	11,210,525	-	-	-	11,210,525
	<u>35,435,983</u>	<u>195,761</u>	<u>-</u>	<u>243,142</u>	<u>35,874,886</u>
Buildings and improvements					
Water and wastewater fund	565,369	-	-	-	565,369
Medley Lakeside Retirement Park fund	306,547	-	(13,816)	-	292,731
Police gun range fund	229,792	-	(67,322)	-	162,470
	<u>1,101,708</u>	<u>-</u>	<u>(81,138)</u>	<u>-</u>	<u>1,020,570</u>
Transportation equipment					
Water and wastewater fund	410,463	-	-	-	410,463
Stormwater utility fund	424,369	-	-	-	424,369
Medley Lakeside Retirement Park fund	3,634	-	-	-	3,634
	<u>838,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>838,466</u>
Machinery and equipment					
Water and wastewater fund	1,325,474	6,570	(11,415)	23,980	1,344,609
Stormwater utility fund	605,671	114,694	-	-	720,365
Medley Lakeside Retirement Park fund	37,774	-	(2,440)	-	35,334
Police gun range fund	152,197	-	(5,423)	-	146,774
	<u>2,121,116</u>	<u>121,264</u>	<u>(19,278)</u>	<u>23,980</u>	<u>2,247,082</u>
Total capital assets being depreciated					
Water and wastewater fund	26,526,764	202,331	(11,415)	267,122	26,984,802
Stormwater utility fund	12,240,565	114,694	-	-	12,355,259
Medley Lakeside Retirement Park fund	669,556	-	(16,256)	-	653,300
Police gun range fund	381,989	-	(72,745)	-	309,244
	<u>39,818,874</u>	<u>317,025</u>	<u>(100,416)</u>	<u>267,122</u>	<u>40,302,605</u>
Accumulated depreciation					
Water and wastewater fund	(12,547,505)	(660,986)	11,415	-	(13,197,076)
Stormwater utility fund	(3,501,915)	(366,836)	-	-	(3,868,751)
Medley Lakeside Retirement Park fund	(601,008)	(14,696)	16,256	-	(599,448)
Police gun range fund	(302,609)	(13,760)	68,972	-	(247,397)
Total accumulated depreciation	<u>(16,953,037)</u>	<u>(1,056,278)</u>	<u>96,643</u>	<u>-</u>	<u>(17,912,672)</u>
Capital assets being depreciated, net	<u>22,865,837</u>	<u>(739,253)</u>	<u>(3,773)</u>	<u>267,122</u>	<u>22,389,933</u>
Business-type activities – capital assets, net	<u>\$ 27,891,724</u>	<u>\$ 2,780,457</u>	<u>\$ (3,773)</u>	<u>\$ -</u>	<u>\$ 30,668,408</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2017

B. Depreciation Expense

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

Governmental activities	
General government	\$ 1,446,143
Public safety	425,346
Physical environment	64,571
Human services	45,344
Culture and recreation	72,772
	<u>\$ 2,054,176</u>
Business-type activities	
Water and wastewater utility	<u>\$ 660,986</u>
Stormwater utility	<u>\$ 366,836</u>
Medley Lakeside Retirement Park	<u>\$ 14,696</u>
Police gun range	<u>\$ 13,760</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at September 30, 2017:

	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	\$ 401,567	\$ 6,388	\$ -	\$ 407,955	\$ 463,968	\$ 622,954	\$ 18,616	\$ 1,240	\$ 1,106,778	\$ 1,514,733
Salaries and benefits	338,189	-	-	338,189	45,091	16,596	1,401	5,720	68,808	406,997
Interest	-	-	-	-	14,000	-	-	-	14,000	14,000
DERM Taxes	-	-	-	-	464,623	-	-	-	464,623	464,623
	<u>\$ 739,756</u>	<u>\$ 6,388</u>	<u>\$ -</u>	<u>\$ 746,144</u>	<u>\$ 987,682</u>	<u>\$ 639,550</u>	<u>\$ 20,017</u>	<u>\$ 6,960</u>	<u>\$ 1,654,209</u>	<u>\$ 2,400,353</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.

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, 2017, was 5.5000 mills (\$5.5000 per \$1,000 of taxable assessed valuation). The Town levied a millage rate of 5.4000 mills for fiscal year 2018.

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, 2017.
- **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, 2017.

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	112	37	149
Retirees and beneficiaries currently receiving benefits	33	17	50
Terminated plan members entitled to but not yet receiving benefits	12	2	14
	<u>157</u>	<u>56</u>	<u>213</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2017

(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; part time employees upon attainment of normal retirement eligibility requirements.	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 or age 62 for general employees; 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 five members. The Mayor is an ex-officio member with the other four appointed by the Mayor	Management of the plan is vested in the Board of Trustees of the Town of Medley Police Officers' Retirement Plan.

Town of Medley, Florida
Notes to Financial Statements
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(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, 2017	October 1, 2017
Actuarial cost method	Entry age	Entry age
Amortization method	N/A	Level percentage of pay, closed
Amortization period	N/A	28 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	2.50%	2.50%
Cost-of-living adjustments	Change in price index, 3.00% cap	1% until age 62

(5) Net Pension Liability

The components of the net pension liability at September 30, 2017, are as follows:

	General Employees’ Pension Plan	Police Officers’ Retirement Plan
Total pension liability	\$ 22,170,598	\$ 25,771,614
Less: Plan fiduciary net position	<u>(19,815,441)</u>	<u>(25,211,787)</u>
Net pension liability	<u>\$ 2,355,157</u>	<u>\$ 559,827</u>
Plan fiduciary net position as a percentage of total pension liability	<u>89.38%</u>	<u>97.83%</u>

Town of Medley, Florida
Notes to Financial Statements
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The total pension liability was determined by actuarial valuations as of October 1, 2017, 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, 2017 (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	10%	0.75%	15%	0.75%
Domestic equity	60%	5.75%	54%	5.75%
International equity	10%	5.75%	10%	5.75%
Real estate	0%	0.00%	6%	5.75%
Cash	20%	0.00%	15%	0.00%
	<u>100%</u>		<u>100%</u>	

The discount rate used to measure the total pension liability was 6.5% and 7.5% for the general employees' pension and police officers' retirement plans, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	General Employees' Pension Plan		Police Officers' Retirement Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Benefit)
1% decrease	5.50%	\$ 5,164,620	6.50%	\$ 3,554,026
Current discount rate	6.50%	\$ 2,355,157	7.50%	\$ 559,827
1% increase	7.50%	\$ 22,065	8.50%	\$ (1,947,755)

Town of Medley, Florida
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For the year ended September 30, 2017, the annual money-weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	<u>General Employees' Pension Plan</u>	<u>Police Officers' Retirement Plan</u>
Annual money-weighted rate of return	13.73%	13.78%

(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 5% 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:

	<u>General Employees' Plan</u>			<u>Police Officers' Retirement Plan</u>		
	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at September 30, 2016	\$ 20,149,876	\$ 17,300,687	\$ 2,849,189	\$ 24,281,295	\$ 22,147,952	\$ 2,133,343
Changes in the year						
Service cost	487,726	-	487,726	658,122	-	658,122
Interest	1,313,621	-	1,313,621	1,828,417	-	1,828,417
Differences between actual and expected	331,458	-	331,458	124,820	-	124,820
Changes in assumption	744,029	-	744,029	-	-	-
Changes in benefits	-	-	-	-	-	-
Contributions – employer	-	1,000,000	(1,000,000)	-	1,011,680	(1,011,680)
Contributions – State	-	-	-	-	-	-
Contributions – employee	-	-	-	-	152,218	(152,218)
Projected earnings on investments	-	1,129,203	(1,129,203)	-	1,661,768	(1,661,768)
Differences between projected and actual earnings	-	1,249,904	(1,249,904)	-	1,384,149	(1,384,149)
Benefit payments	(856,112)	(856,112)	-	(1,121,040)	(1,121,040)	-
Administrative expenses	-	(8,241)	8,241	-	(24,940)	24,940
Net change	<u>2,020,722</u>	<u>2,514,754</u>	<u>(494,032)</u>	<u>1,490,319</u>	<u>3,063,835</u>	<u>(1,573,516)</u>
Balance at September 30, 2017	<u>\$ 22,170,598</u>	<u>\$ 19,815,441</u>	<u>\$ 2,355,157</u>	<u>\$ 25,771,614</u>	<u>\$ 25,211,787</u>	<u>\$ 559,827</u>

(8) Pension Expense

For the year ended September 30, 2017, the Sponsor will recognize pension expense of \$733,969 and \$582,522 for the general employees' and police officers' pension plans, respectively.

Town of Medley, Florida
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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	\$ 487,726	\$ 658,122
Interest on total pension liability	1,313,621	1,828,417
Employee paid contribution	-	(152,218)
Projected earnings on investments	(1,129,203)	(1,661,768)
Administrative expenses	8,241	24,940
Recognition of deferred outflows/(inflows)	53,584	(114,971)
	<u>\$ 733,969</u>	<u>\$ 582,522</u>
Total pension expense	<u>\$ 733,969</u>	<u>\$ 582,522</u>

(9) Deferred Inflows and Outflows

On September 30, 2017, 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	\$ 696,705	\$ (780,154)	\$ 106,986	\$ (495,143)	\$ 803,691	\$ (1,275,297)
Changes in assumptions	651,025	-	498,560	-	1,149,585	-
Net difference between projected and actual earnings on pension plan investments	500,809	(1,207,787)	600,232	(1,406,080)	1,101,041	(2,613,867)
	<u>\$ 1,848,539</u>	<u>\$ (1,987,941)</u>	<u>\$ 1,205,778</u>	<u>\$ (1,901,223)</u>	<u>\$ 3,054,317</u>	<u>\$ (3,889,164)</u>

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

<u>Year Ending September 30,</u>	<u>General Employees' Pension Plan</u>	<u>Police Officers' Retirement Plan</u>
2018	\$ 53,582	\$ (114,975)
2019	53,583	(46,911)
2020	(200,412)	(347,025)
2021	(264,290)	(270,127)
2022	(14,310)	65,762
Thereafter	232,445	17,831
	<u>\$ (139,402)</u>	<u>\$ (695,445)</u>

(10) Calculation of Retirement Benefits

Amount of Retirement Benefit

(a) General Employees' Pension Plan

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

General Employees – Union & Non-Union

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

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

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

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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. Effective October 1, 2017, the normal retirement benefit earned after the effective date is equal to one-twelfth of \$8,500 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. Effective October 1, 2017, the normal retirement benefit earned after the effective date is equal to one-twelfth of \$3,800 multiplied by the number of years of credited benefit service as 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.

Prior to October 1, 2017					
<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

Effective October 1, 2017		
<u>Age</u>	<u>Years of Service</u>	<u>Monthly Benefit</u>
65	20	\$270
65	25	\$290
70	15	\$250
70	20	\$310
70	25	\$330

Benefit Limits

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

Normal Retirement

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

(b) Police Officers' Retirement Plan

Normal Retirement Date

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

Early Retirement

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

B. Money Purchase Plan

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

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

As of September 30, 2017, there were 70 active participants in the money purchase plan.

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

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

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

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

During the year, the Town contributed \$177,890 to the money purchase plan.

C. Deferred Compensation Plan

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

D. Post-Employment Benefits Other Than Pension

(1) Plan Description

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

(2) Funding Policy

The Town is financing the post-employment benefits on a pay-as-you-go basis. For fiscal year 2017, 20 retirees and dependents received health care benefits. Annual required contributions amounted to approximately \$1,287,000 for the current fiscal year, towards which the Town made a contribution of approximately \$233,000.

At September 30, 2017, the Town recorded net OPEB obligations of \$3,477,646 for governmental activities and \$440,265 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, 2017, of \$361,122, \$70,852, and \$8,291, respectively. The OPEB obligation is a function of annual required contributions, interest, adjustments to the annual required contributions, annual pension costs, and actual employers' contributions made to the plan.

(3) Annual OPEB Cost and Net OPEB Obligation

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

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Annual required contribution	\$ 1,251,000
Interest on net OPEB obligation	114,000
Adjustment to annual required contributions	<u>(78,000)</u>
Annual OPEB cost (expense)	1,287,000
Employer contributions	<u>(233,000)</u>
Increase in net OPEB obligation	1,054,000
Net OPEB obligation, beginning of year	<u>2,864,000</u>
Net obligation, end of year	<u><u>\$ 3,918,000</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, 2017, and the preceding five 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>
2017	\$ 1,287,000	18.1%	\$ 3,918,000
2016	864,000	28.0%	2,864,000
2015	864,000	27.5%	2,242,000
2014	864,000	28.4%	1,616,000
2013	360,000	60.3%	997,000
2012	360,000	42.8%	855,000

(4) Funded Status and Funding Progress

As of September 30, 2017, the date of the most recent actuarial valuation, the unfunded actuarial accrued liability for benefits was \$11,837,407, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,823,750, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 203.3%. 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.

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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 September 30, 2017, 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 8.75% in the first year of valuation, gradually reducing to 4.00% in the fiscal year ending in 2073 and remain at 4.00% 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, 2017, the Town received \$183,164 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, 2017, the Town received \$190,202 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).

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>
2018	\$ 60,000	\$ 63,799	\$ 123,799
2019	60,000	67,513	127,513
2020	60,000	71,338	131,338
2021	60,000	75,278	135,278
2022	60,000	79,336	139,336
2023 – 2027	300,000	461,946	761,946
2028 – 2029	90,000	162,058	252,058
	<u>\$ 690,000</u>	<u>\$ 981,268</u>	<u>\$ 1,671,268</u>

Total fiscal 2017 rental expenditures under the ground lease were \$121,930 including \$61,930 of contingent rentals.

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Total rents under all operating leases, including short-term, month-to-month rentals, were \$146,450 for the year ended September 30, 2017.

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, 2017, are as follows:

	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2017</u>
Notes payable	\$ 7,159,383	\$ -	\$ 725,778	\$ 6,433,605
Compensated absences	769,821	205,122	-	974,943
Other post employment benefits	2,493,612	1,200,887	216,853	3,477,646
	<u>\$ 10,422,816</u>	<u>\$ 1,406,009</u>	<u>\$ 942,631</u>	<u>\$ 10,886,194</u>

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>
2018	\$ 739,136	\$ 133,125	\$ 872,261
2019	752,804	116,621	869,425
2020	766,788	99,804	866,592
2021	750,238	82,884	833,122
2022	764,374	65,914	830,288
2023 – 2027	2,185,765	120,223	2,305,988
2028 – 2031	474,500	14,559	489,059
	<u>\$ 6,433,605</u>	<u>\$ 633,130</u>	<u>\$ 7,066,735</u>

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

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Description of governmental fund type long-term obligations:

Note payable – TD Bank Capital Improvement Refunding Revenue Note Series 2010A, principal payments of \$12,500 plus variable interest of 69% of one-month LIBOR (2.62%) at September 30, 2017, subject to adjustment monthly through December 2030, collateralized by non-ad valorem revenues of the Town.	\$ 1,974,500
Note payable – TD Bank Capital Improvement Refunding Revenue Note Series 2014, payments of \$54,634 including fixed interest at 2.33% through December 2024, collateralized by non-ad valorem revenues of the Town.	4,369,490
Note payable – TD Bank Public Improvement Revenue Note Series 2013, monthly \$2,553 including fixed interest at 1.64% through September 2020, collateralized by pledged revenues of the Town.	<u>89,615</u>
	<u>\$ 6,433,605</u>

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, 2017, are as follows:

	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, September 30, 2017</u>
Notes payable	\$ 3,936,085	\$ -	\$ 238,580	\$ 3,697,505
Compensated absences	207,596	30,652	1,637	236,611
Other post employment benefits	<u>369,273</u>	<u>86,637</u>	<u>15,645</u>	<u>440,265</u>
	<u>\$ 4,512,954</u>	<u>\$ 117,289</u>	<u>\$ 255,862</u>	<u>\$ 4,374,381</u>

Description of proprietary fund type long-term obligations:

Revolving Fund Loan – Florida Department of Environmental Protection, interest of 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.	\$ 544,420
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 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.	623,422
Revolving Fund Loan – Florida Department of Environmental Protection, interest of annum, payable in semiannual principal and interest payments of \$90,019 on March 15 and September 15 through March 15, 2034, uncollateralized.	<u>2,529,663</u>
	<u>\$ 3,697,505</u>

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

<u>Fiscal Year</u>	<u>Proprietary Fund Type</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 244,042	\$ 78,482	\$ 322,524
2019	249,633	72,891	322,524
2020	255,354	67,170	322,524
2021	261,210	61,315	322,525
2022	267,203	55,322	322,525
2023 – 2027	1,189,980	164,489	1,354,469
2028 – 2032	965,210	76,067	1,041,277
2033 – 2034	264,873	5,183	270,056
	<u>\$ 3,697,505</u>	<u>\$ 580,919</u>	<u>\$ 4,278,424</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 \$32,728 and \$51,216 in the water and wastewater and stormwater funds, respectively, for the year ended September 30, 2017. 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, 2017.

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

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

11. COMMITMENTS AND CONTINGENCIES

A. Litigation and Other Matters

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

B. Capital Asset Acquisition Commitments and Comprehensive Infrastructure Plan

The Town hired an engineer in 2013 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 46 projects estimated to cost \$25 million in 2017 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. The Town has resubmitted its annexation applications based on a four-city agreement among the applicants. The County is reviewing these applications but has set no time table for action.

D. Grant Expenditures

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

12. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Interfund Transactions and Balances

Individual fund interfund receivable and payable balances at September 30, 2017, were:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General fund	\$ 927,632	\$ (346,797)
Law enforcement trust fund	-	(1,679)
Town of Medley Foundation, Inc.	-	(14,483)
Proprietary funds		
Water and wastewater fund	473	(1,662,150)
Stormwater utility fund	1,129,018	-
Police gun range fund	1,400	(33,414)
	<u>\$ 2,058,523</u>	<u>\$ (2,058,523)</u>

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

Town of Medley, Florida
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September 30, 2017

Interfund transfers for the year ended September 30, 2017, were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Medley Lakeside Retirement Park fund	\$ -	\$ 164,307
Water and Wastewater Fund		
Medley Lakeside Retirement Park fund	-	600
Medley Lakeside Retirement Park Fund		
General fund	164,307	-
Water and wastewater fund	600	-
	<u>\$ 164,907</u>	<u>\$ 164,907</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, 2017:

	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total</u>
Nonspendable				
Prepays	\$ 120,966	\$ -	\$ -	\$ 120,966
Total nonspendable	<u>120,966</u>	<u>-</u>	<u>-</u>	<u>120,966</u>
Restricted				
Law enforcement	-	1,716,814	-	1,716,814
Total restricted	<u>-</u>	<u>1,716,814</u>	<u>-</u>	<u>1,716,814</u>
Committed				
Foundation activities	-	-	79,150	79,150
Total committed	<u>-</u>	<u>-</u>	<u>79,150</u>	<u>79,150</u>
Assigned				
Pension	2,000,000	-	-	2,000,000
Working capital	5,000,000	-	-	5,000,000
Retiree health insurance	1,300,000	-	-	1,300,000
Debt service	900,000	-	-	900,000
Total assigned	<u>9,200,000</u>	<u>-</u>	<u>-</u>	<u>9,200,000</u>
Unassigned	<u>3,001,590</u>	<u>-</u>	<u>-</u>	<u>3,001,590</u>
Total fund balances	<u>\$ 12,322,556</u>	<u>\$ 1,716,814</u>	<u>\$ 79,150</u>	<u>\$ 14,118,520</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, 2017

	<u>Original and Final Budget (Unaudited)</u>	<u>Actual</u>	<u>Variance (Unaudited)</u>
Revenues			
Ad valorem taxes	\$ 9,977,408	\$ 9,939,329	\$ (38,079)
Utility taxes	1,302,000	1,409,992	107,992
Other general taxes	798,939	651,664	(147,275)
Intergovernmental	885,533	221,137	(664,396)
Permits, fees, and licenses	4,795,570	3,633,881	(1,161,689)
Fines and forfeitures	1,025,000	208,081	(816,919)
User charges	113,000	291,200	178,200
Miscellaneous	128,000	194,391	66,391
Total revenues	<u>19,025,450</u>	<u>16,549,675</u>	<u>(2,475,775)</u>
Expenditures			
Current operating			
General government	4,371,580	4,770,304	398,724
Public safety	7,547,223	7,142,413	(404,810)
Physical environment	1,335,565	1,029,638	(305,927)
Human services	1,686,208	1,523,792	(162,416)
Culture and recreation	707,922	732,920	24,998
Capital outlay	5,078,500	2,052,484	(3,026,016)
Debt service	881,500	885,090	3,590
Total expenditures	<u>21,608,498</u>	<u>18,136,641</u>	<u>(3,471,857)</u>
Deficiency of revenues over expenditures	<u>(2,583,048)</u>	<u>(1,586,966)</u>	<u>996,082</u>
Other financing uses			
Operating transfers – out	-	(164,307)	(164,307)
Total other financing uses	<u>-</u>	<u>(164,307)</u>	<u>(164,307)</u>
Deficiency of revenues over expenditures and other financing uses	<u>(2,583,048)</u>	<u>(1,751,273)</u>	<u>831,775</u>
Fund balances			
Beginning of year	<u>17,650,362</u>	<u>14,073,829</u>	<u>(3,576,533)</u>
End of year	<u>\$ 15,067,314</u>	<u>\$ 12,322,556</u>	<u>\$ (2,744,758)</u>

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedules of Funding Progress
Year Ended September 30, 2017

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, 2017	\$ 22,170,598	\$ 19,819,278	\$ 2,355,157	89.39%	\$ 3,158,747	74.56%
September 30, 2016	20,149,877	17,300,688	2,849,189	85.86%	2,845,353	100.13%
September 30, 2015	20,063,307	15,759,711	4,303,596	78.55%	2,594,629	165.87%
September 30, 2014	18,296,098	15,845,995	2,450,103	86.61%	2,118,023	115.68%
	Total Pension Liability ("TPL")	Plan Fiduciary Position ("PFP")	Net Pension Liability ("NPL")	PFP as % of TPL	Covered Payroll	NPL as % of Covered Payroll
Police Officers' Retirement Fund						
September 30, 2017	\$ 25,771,614	\$ 25,211,787	\$ 559,827	97.83%	\$ 3,044,367	18.39%
September 30, 2016	24,281,295	22,147,952	2,133,343	91.21%	2,956,688	72.15%
September 30, 2015	22,596,242	19,954,478	2,641,764	88.31%	2,885,418	91.56%
September 30, 2014	21,717,512	19,435,751	2,281,761	89.49%	2,881,548	79.19%
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, 2017	\$ -	\$ 11,837,407	\$ 11,837,407	-%	\$ 5,823,750	203.3%
September 30, 2014	-	8,572,003	8,572,003	-%	4,976,122	172.3%
September 30, 2012	-	3,471,483	3,471,483	-%	5,814,326	59.7%
September 30, 2009	-	3,460,071	3,460,071	-%	5,667,673	61.0%

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedules of Employer Contributions
Year Ended September 30, 2017

Schedules of Employer Contributions

	<u>Employer Contribution</u>	<u>Annual Required Contributions ("ARC")</u>	<u>Contribution as % of ARC</u>	<u>Covered Payroll</u>	<u>Contribution as % of Covered Payroll</u>
General Employees' Pension Fund					
September 30, 2017	\$ 1,000,000	\$ 980,532	101.99%	\$ 3,158,747	31.66%
September 30, 2016	1,000,000	985,108	101.51%	2,845,353	35.15%
September 30, 2015	900,000	908,902	99.02%	2,594,629	34.69%
September 30, 2014	850,000	799,628	106.30%	2,118,023	40.13%
	<u>Employer Contribution</u>	<u>Annual Required Contributions ("ARC")</u>	<u>Contribution as % of ARC</u>	<u>Covered Payroll</u>	<u>Contribution as % of Covered Payroll</u>
Police Officers' Retirement Fund					
September 30, 2017	\$ 1,163,898	\$ 946,798	122.93%	\$ 3,044,367	38.23%
September 30, 2016	1,160,857	1,014,144	114.47%	2,956,688	39.26%
September 30, 2015	1,420,348	1,076,688	131.92%	2,885,418	49.23%
September 30, 2014	1,409,521	1,274,568	110.59%	2,881,548	48.92%
		<u>Required Contributions</u>	<u>Percentage Contributed</u>	<u>Net Pension/OPEB Obligation (Asset)</u>	
Other Post Employment Benefits					
From October 1, 2016, through September 30, 2017	\$	1,251,373	18.6%	\$ 3,917,911	
From October 1, 2015, through September 30, 2016		864,000	28.0%	2,863,282	
From October 1, 2014, through September 30, 2015		864,000	27.5%	2,241,458	
From October 1, 2013, through September 30, 2014		864,000	28.4%	1,615,458	
From October 1, 2012, through September 30, 2013		360,000	60.3%	996,940	
From October 1, 2011, through September 30, 2012		360,000	42.8%	854,535	

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedule of Change in Net Pension Liability and Related Ratios –
General Employees' Pension Fund
Year Ended September 30, 2017

Schedule of Change in Net Pension Liability and Related Ratios – General Employees' Pension Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 487,726	\$ 534,369	\$ 449,137
Interest on total pension liability	1,313,621	1,254,523	1,247,292
Differences between expected and actual experience	331,458	(1,077,646)	816,952
Changes in assumption	744,029	-	-
Changes in benefits	-	185,340	-
Benefit payments, including refunds of employee contributions	<u>(856,112)</u>	<u>(810,015)</u>	<u>(746,172)</u>
Net change in total pension liability	2,020,722	86,571	1,767,209
Total pension liability, beginning	<u>20,149,876</u>	<u>20,063,305</u>	<u>18,296,096</u>
Total pension liability, ending (a)	<u><u>\$ 22,170,598</u></u>	<u><u>\$ 20,149,876</u></u>	<u><u>\$ 20,063,305</u></u>
Plan fiduciary net position			
Contributions – employer	\$ 1,000,000	\$ 1,000,000	\$ 900,000
Contributions – employee	-	-	-
Net investment income	2,379,107	1,376,386	(217,632)
Benefit payments, including refunds of employee contributions	(856,112)	(810,015)	(746,172)
Administrative expense	<u>(8,241)</u>	<u>(25,394)</u>	<u>(22,481)</u>
Net change in plan fiduciary net position	2,514,754	1,540,977	(86,285)
Plan fiduciary net position, beginning	17,300,687	15,759,710	15,845,995
Plan fiduciary net position, ending (b)	<u><u>\$ 19,815,441</u></u>	<u><u>\$ 17,300,687</u></u>	<u><u>\$ 15,759,710</u></u>
Net pension liability, ending (a)-(b)	<u><u>\$ 2,355,157</u></u>	<u><u>\$ 2,849,189</u></u>	<u><u>\$ 4,303,595</u></u>
Plan fiduciary net position as a percentage of the total pension liability	89.38%	85.86%	78.55%
Covered employee payroll	\$ 3,158,747	\$ 2,845,353	\$ 2,594,629
Net pension liability as a percentage of covered employee payroll	74.56%	100.13%	165.87%

See Independent Auditors' Report.

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedule of Change in Net Pension Liability and Related Ratios –
Police Officers’ Retirement Fund
Year Ended September 30, 2017

Schedule of Change in Net Pension Liability and Related Ratios – Police Officers’ Retirement Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 658,122	\$ 618,350	\$ 610,822
Interest on total pension liability	1,828,417	1,704,592	1,638,723
Differences between expected and actual experience	124,820	(362,464)	(413,419)
Changes in assumption	-	697,984	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,121,040)</u>	<u>(973,409)</u>	<u>(957,396)</u>
Net change in total pension liability	1,490,319	1,685,053	878,730
Total pension liability, beginning	<u>24,281,295</u>	<u>22,596,242</u>	<u>21,717,512</u>
Total pension liability, ending (a)	<u><u>\$ 25,771,614</u></u>	<u><u>\$ 24,281,295</u></u>	<u><u>\$ 22,596,242</u></u>
Plan fiduciary net position			
Contributions – employer	\$ 1,011,680	\$ 1,050,000	\$ 1,300,027
Contributions – state	-	110,857	120,321
Contributions – employee	152,218	147,835	141,670
Net investment income	3,045,917	1,892,371	(50,344)
Benefit payments, including refunds of employee contributions	(1,121,040)	(973,409)	(957,396)
Administrative expense	<u>(24,940)</u>	<u>(34,180)</u>	<u>(35,551)</u>
Net change in plan fiduciary net position	3,063,835	2,193,474	518,727
Plan fiduciary net position, beginning	22,147,952	19,954,478	19,435,751
Plan fiduciary net position, ending (b)	<u><u>\$ 25,211,787</u></u>	<u><u>\$ 22,147,952</u></u>	<u><u>\$ 19,954,478</u></u>
Net pension liability, ending (a)-(b)	<u><u>\$ 559,827</u></u>	<u><u>\$ 2,133,343</u></u>	<u><u>\$ 2,641,764</u></u>
Plan fiduciary net position as a percentage of the total pension liability	97.83%	91.21%	88.31%
Covered employee payroll	\$ 3,044,367	\$ 2,956,688	\$ 2,885,418
Net pension liability as a percentage of covered employee payroll	18.39%	72.15%	91.56%

See Independent Auditors’ Report.

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedule of Contributions – General Employees’ Pension Fund
Year Ended September 30, 2017

Schedule of Contributions – General Employees’ Pension Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 980,532	\$ 985,108	\$ 908,902
Contributions in relation to the actuarially determined contributions	<u>1,000,000</u>	<u>1,000,000</u>	<u>900,000</u>
Contribution deficiency (excess)	<u>\$ (19,468)</u>	<u>\$ (14,892)</u>	<u>\$ 8,902</u>
Covered employee payroll	\$ 3,158,747	\$ 2,845,353	\$ 2,594,629
Contributions as a percentage of covered employee payroll	31.66%	35.15%	34.69%

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedule of Contributions – Police Officers’ Retirement Fund
Year Ended September 30, 2017

Schedule of Contributions – Police Officers’ Retirement Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 946,798	\$ 1,014,144	\$ 1,076,688
Contributions in relation to the actuarially determined contributions	<u>1,163,898</u>	<u>1,308,692</u>	<u>1,562,018</u>
Contribution deficiency (excess)	<u>\$ (217,100)</u>	<u>\$ (232,004)</u>	<u>\$ (485,330)</u>
Covered employee payroll	\$ 3,044,367	\$ 2,956,688	\$ 2,885,418
Contributions as a percentage of covered employee payroll	38.23%	44.26%	54.13%

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Notes to Required Supplementary Information
Year Ended September 30, 2017

Notes to Required Supplementary Information

	<u>General Employees' Pension Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Other Post-Employment Benefits</u>
Valuation date	October 1, 2017	October 1, 2017	October 1, 2016
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	N/A	Level percentage of pay, closed	Level percentage of pay, closed
Amortization period	N/A	29 years	30 years
Actuarial asset valuation method	Fair market value	Four year smooth	Fair market value
Actuarial assumptions:			
Investment rate of return	6.50%	7.50%	N/A
Projected salary increases	3.50%	4.62% – 6.68%	3.00%
Inflation	2.50%	2.50%	Variable
Cost-of-living adjustments	Change in price index, 3.00% cap	1% until age 62	N/A

**Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedules of Investment Returns
Year Ended September 30, 2017**

Money Weighted Rate of Return – Pension Funds

	General Employees' Pension Fund	Police Officers' Retirement Fund
September 30, 2017	13.73%	13.78%
September 30, 2016	8.69%	9.31%
September 30, 2015	-1.35%	-0.25%
September 30, 2014	9.44%	9.09%



COMBINING FUND STATEMENTS

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.

Town of Medley, Florida
Other Proprietary Funds
Combining Statement of Net Position
September 30, 2017

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 70	\$ 181,728	\$ 181,798
Receivables, net	-	16,335	16,335
Due from other funds	-	1,400	1,400
Prepaid expenses	10,336	-	10,336
Total current assets	<u>10,406</u>	<u>199,463</u>	<u>209,869</u>
Capital assets, net	<u>53,852</u>	<u>61,847</u>	<u>115,699</u>
Total assets	<u>64,258</u>	<u>261,310</u>	<u>325,568</u>
Deferred Outflows			
Related to pensions	<u>10,494</u>	<u>25,975</u>	<u>36,469</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	20,017	6,960	26,977
Due to other funds	-	33,414	33,414
Total current liabilities	<u>20,017</u>	<u>40,374</u>	<u>60,391</u>
Long-term obligations			
Compensated absences	5,683	17,646	23,329
Other post employment benefits	-	8,291	8,291
Net pension liability	13,371	33,095	46,466
Total long-term liabilities	<u>19,054</u>	<u>59,032</u>	<u>78,086</u>
Total liabilities	<u>39,071</u>	<u>99,406</u>	<u>138,477</u>
Deferred Inflows			
Related to pensions	<u>11,285</u>	<u>27,934</u>	<u>39,219</u>
Net Position			
Investment in capital assets, net of related debt	53,852	61,847	115,699
Unrestricted	<u>(29,456)</u>	<u>98,098</u>	<u>68,642</u>
Total net position	<u>\$ 24,396</u>	<u>\$ 159,945</u>	<u>\$ 184,341</u>

Town of Medley, Florida
Other Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2017

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
	<u> </u>	<u> </u>	<u> </u>
Operating revenues			
User charges	\$ 190,202	\$ 183,164	\$ 373,366
Miscellaneous, other	-	1,578	1,578
Total operating revenues	<u>190,202</u>	<u>184,742</u>	<u>374,944</u>
Operating expenses			
Salaries, wages, and employee benefits	36,877	169,479	206,356
Contractual services, materials, and supplies	323,836	88,714	412,550
Depreciation and amortization	14,696	13,760	28,456
Total operating expenses	<u>375,409</u>	<u>271,953</u>	<u>647,362</u>
Operating loss	<u>(185,207)</u>	<u>(87,211)</u>	<u>(272,418)</u>
Nonoperating revenues			
Interest income	-	899	899
Total nonoperating revenues	<u>-</u>	<u>899</u>	<u>899</u>
Loss before transfers	<u>(185,207)</u>	<u>(86,312)</u>	<u>(271,519)</u>
Transfers			
Transfers in	164,907	-	164,907
Total transfers	<u>164,907</u>	<u>-</u>	<u>164,907</u>
Net loss	(20,300)	(86,312)	(106,612)
Net position			
Beginning of year	<u>44,696</u>	<u>246,257</u>	<u>290,953</u>
End of year	<u>\$ 24,396</u>	<u>\$ 159,945</u>	<u>\$ 184,341</u>

Town of Medley, Florida
Other Proprietary Funds
Combining Statement of Cash Flows
Year Ended September 30, 2017

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Cash flows from operating activities			
Receipts from customers and users	\$ 190,202	\$ 181,229	\$ 371,431
Payments to suppliers	(329,668)	(88,579)	(418,247)
Payments to employees	(35,148)	(175,025)	(210,173)
Other receipts	-	1,578	1,578
Net cash used in operating activities	<u>(174,614)</u>	<u>(80,797)</u>	<u>(255,411)</u>
Cash flows from noncapital financing activities			
Transfers from other funds	164,907	-	164,907
Change in due from/to other funds	(4,445)	18,860	14,415
Net cash provided by noncapital financing activities	<u>160,462</u>	<u>18,860</u>	<u>179,322</u>
Cash flows from investing activities			
Interest income received	-	899	899
Net cash provided by investing activities	<u>-</u>	<u>899</u>	<u>899</u>
Net decrease in cash and cash equivalents	(14,152)	(61,038)	(75,190)
Cash and Cash Equivalents	<u>14,222</u>	<u>242,766</u>	<u>256,988</u>
Beginning of year			
End of year	<u>\$ 70</u>	<u>\$ 181,728</u>	<u>\$ 181,798</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (185,207)	\$ (87,211)	\$ (272,418)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	14,696	13,760	28,456
Bad debt expense	-	209	209
Loss on disposal of fixed asset	-	3,773	3,773
Changes in:			
Receivables	-	(1,935)	(1,935)
Prepaid expenses	(10,336)	-	(10,336)
Deferred outflows of resources	(3,560)	(7,702)	(11,262)
Accounts payable and accrued liabilities	4,504	(3,847)	657
Compensated absences	2,352	(1,637)	715
Deferred inflows of resources	4,826	10,911	15,737
Net pension liability	(1,889)	(7,118)	(9,007)
Net cash used in operating activities	<u>\$ (174,614)</u>	<u>\$ (80,797)</u>	<u>\$ (255,411)</u>



SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council
Town of Medley, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as each fiduciary fund type, of Town of the Medley, Florida (the "Town") as of and for the year ended September 30, 2017, 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 27, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 responses, 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 responses to be material weaknesses (items 2017-01 and 2017-02).

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 responses to be significant deficiencies (items 2017-03 through 2017-04).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Findings

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

Purpose of This Report

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



June 27, 2018

Town of Medley, Florida
Schedule of Findings and Responses
Year Ended September 30, 2017

MATERIAL WEAKNESSES

2017-01 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: As stated above, at least one member of the Town Council (includes Mayor and commissioners) must sign off on every expenditure made by the Town. All major expenditures are approved by the Town Council by motion or resolution. Interim financial reports are prepared by the finance department and distributed to the Town Council. They are reviewed in detail.

As a result of new financial software, non-standard journal entries are no longer required.

2017-02 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 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: Pump stations with estimated values totaling approximately \$3.5 million are not included in the Town's capital assets.

Recommendation: 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: Conveyance of pump stations and acquisition of right of ways are long-term programs needed to require a number of years to complete. The Town attorneys are vigorously pursuing the conveyance of both pump stations and right of ways. In the past two years the Town has expended \$6 million in acquisition costs.

Town of Medley, Florida
Schedule of Findings and Responses
Year Ended September 30, 2017

SIGNIFICANT DEFICIENCIES

2017-03 Purchasing Procedures

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

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

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

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

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

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

Views of responsible officials and planned corrective actions: The Town does not believe a centralized purchasing system is cost effective. Use of credit cards for purchased items has been greatly curtailed. Non-compliance with Section 7 of Ordinance C-357 occurs when the Town piggybacks off another government contract in emergency situations, and when it is not practicable to follow, such as using a contractor for a job when the contractor is already on site working on another job. The Town Council approves all purchases which do not entirely follow the terms of C-357.

2017-04 Cash Disbursements

Criteria: Internal controls over cash disbursements requires that invoices are properly catalogued and approved to prevent potential duplicate payments.

Condition: During our search for unrecorded liabilities, a duplicate payment on a construction invoice was discovered that was paid subsequent to September 30, 2017. The invoice was entered into the accounting software with two different invoice numbers and was, therefore, not automatically prevented from processing the invoice by the accounting system. The duplicate payment had no effect on the fiscal year ended September 30, 2017.

Effect: The Town may make duplicate payments on invoices and may not be able to be refunded for the overpayment.

Town of Medley, Florida
Schedule of Findings and Responses
Year Ended September 30, 2017

Recommendation: The Town should standardize its procedure for inputting invoices in its accounting software so that the software is able to prevent duplicate payments on an invoice. Also, recurring payments related to a contract should be tracked more closely in order to verify that no duplicate payments are made related to that contract.

Views of responsible officials and planned corrective actions: Standardized invoice numbers for construction draws are now being used so that a different invoice number cannot be used or changed. The construction draw invoice in question was for a job in process and a credit was used on a subsequent draw request.

Town of Medley, Florida Status of Prior Year Recommendations

Prior Year Findings	Prior Year Reference Number	Current Year Status	Present in Second Preceding Year Report
Supervisory Review	2016-01	Not corrected	Yes – Item 2015-01
Capital Assets	2016-02	Partially corrected	Yes – Item 2015-02
Licenses and Permits	2016-03	Corrected	Yes – Item 2015-03
Purchasing Procedures	2016-04	Not corrected	Yes – Item 2015-04
Compensated Absences	2016-05	Corrected	Yes – Item 2015-05

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

Honorable Mayor and Town Council
Town of Medley, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Medley, Florida (the “Town”) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 27, 2018.

Auditors’ Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* and Independent Accountants’ Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 27, 2018, 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 report except 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 and Management

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

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of This Letter

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



June 27, 2018

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, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the Town's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with the specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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.



June 27, 2018