

TOWN OF MEDLEY, FLORIDA
Financial Section, Required Supplementary Information,
Combining Fund Statements, and Supplementary Financial
Reports Compliance Section
September 30, 2018
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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Town adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (“GASB”), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, an amendment of GASB Statement No. 45. This statement requires the Town to report the total other postemployment benefit liability and related deferred outflows/inflows on their statements of net position. In connection with the implementation of this standard, the Town’s previously reported net position was decreased by \$8,905,802. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information, the defined benefit pension information, and schedules of changes in total other post employment benefits liability and related ratios on pages 4 through 15 and 64 through 74 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 75 through 78 are the responsibility of management and were derived from and relates 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 May 20, 2019, 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.

Withum Smith + Brown, PC

May 20, 2019

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

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, 2018.

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

FINANCIAL HIGHLIGHTS

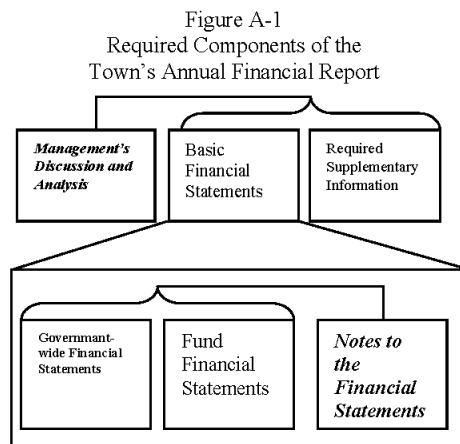
- The Town implemented GASB 75 in 2018. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, an amendment of GASB Statement No. 45, provides the procedures for the accounting and recognition of total other post employment benefit liabilities and states the effect on the Town's net position. The effect of GASB 75 on the restated net position of the Town's governmental activities for the year ended September 30, 2017, was a \$6,820,093 reduction from \$140,253,412 to \$133,433,319. The effect of GASB 75 on the restated net position of the Town's business-type activities funds for the year ended September 30, 2017, was a \$2,085,709 reduction from \$38,570,103 to \$36,484,394.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$171,052,243 (*net position*). Of this amount, \$4,629,132 (*unrestricted net position*) may be used to meet the government's ongoing obligations to residents and creditors.
- During the fiscal year, the Town's total net position increased by \$1,134,530 or by approximately 0.6%, before adjustments to beginning net position due to the implementation of GASB 75. This is comprised of a decrease of \$16,647 in governmental activities and an increase of \$1,151,177 in business-type activities.
- The decrease in governmental activities was attributable to expenses being greater than revenues. Compared to last year, when there was a decrease in net position of \$1,531,417, current year's decrease in net position was \$16,647. Total revenues increased by \$2,814,092 primarily due to increases in ad valorem taxes, permit fees, fines, and charges for services. Total governmental expenditures increased from 2017 by \$1,299,322 primarily due to increases in general government, public safety, and physical environment 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 \$1,078,431, current year's increase in net position was \$1,151,177. Revenues increasing include user charges and service and hook-up charges by \$202,715 and insurance settlement proceeds by \$200,436. Operating expenses increased by \$225,529, primarily due to an increase in payroll and related costs.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$12,656,726, a decrease of \$1,461,794 in comparison with the prior year. Of this amount, \$11,407,025 is *available for spending* at the government's discretion (*assigned or unassigned fund balance*) of which \$7,200,000 has been assigned for future projects and expenditures consisting of \$2,000,000 for pensions, \$3,000,000 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 increased by \$7,159,378, the net effect which is comprised of the implementation of GASB 75 (adding \$8,858,462 to long-term obligations), 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, 2018, was \$23,800,104, a decrease of \$2,368,668 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 16 and 17 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 18 through 21 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 22 through 25 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 26 and 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 63 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 64 through 74 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 75 through 78 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The table below summarizes the statements of net position:

**Town of Medley, Florida
Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Amount Change</u>	<u>% Change</u>
	September 30,		September 30,		September 30,			
	2018	2017	2018	2017	2018	2017		
Current assets	\$ 12,763,089	\$ 13,235,045	\$ 12,569,443	\$ 14,649,834	\$ 25,332,532	\$ 27,884,879	\$ (2,552,347)	(9.2) %
Noncurrent assets	1,523,690	1,724,881	619,006	630,948	2,142,696	2,355,829	(213,133)	(9.0)
Capital assets, net	140,855,227	139,920,921	33,466,115	30,668,408	174,321,342	170,589,329	3,732,013	2.2
Total assets	155,142,006	154,880,847	46,654,564	45,949,190	201,796,570	200,830,037	966,533	0.5
Deferred Outflows	1,722,047	2,424,445	393,017	629,872	2,115,064	3,054,317	(939,253)	(30.8)
Long-term obligations outstanding	18,497,404	12,998,681	6,837,533	5,176,878	25,334,937	18,175,559	7,159,378	39.4
Other liabilities	1,129,226	746,144	1,659,555	2,065,961	2,788,781	2,812,105	(23,324)	(0.8)
Total liabilities	19,626,630	13,744,825	8,497,088	7,242,839	28,123,718	20,987,664	7,136,054	34.0
Deferred Inflows	3,820,751	3,307,055	914,922	766,120	4,735,673	4,073,175	662,498	16.3
Net position:								
Investment in capital assets, net of related debt	135,160,758	133,487,316	30,012,652	26,970,903	165,173,410	160,458,219	4,715,191	2.9
Restricted	1,249,701	1,916,930	-	-	1,249,701	1,916,930	(667,229)	(34.8)
Unrestricted	(2,993,787)	4,849,166	7,622,919	11,599,200	4,629,132	16,448,366	(11,819,234)	(71.9)
Total net position	\$ 133,416,672	\$ 140,253,412	\$ 37,635,571	\$ 38,570,103	\$ 171,052,243	\$ 178,823,515	\$ (7,771,272)	(4.3) %

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 \$171,052,243 at September 30, 2018.

The largest portion of the Town's net position, \$165,173,410, or 97%, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$1,249,701, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$4,629,132, 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 for the government as a whole as well as for its separate business-type activities. However, the separate governmental activities reported a negative balance of \$2,993,787 in its unrestricted net position. The negative balance is a result of the implementation of GASB 75. For the prior fiscal year, the Town reported positive balances in the three categories of net position for the government as a whole, as well as for its separate governmental and business-type activities.

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

Governmental and business-type activities. Governmental activities decreased the Town's net position by \$16,647, whereas business-type activities increased the Town's net position by \$1,151,177. This resulted in an increase in total net position of \$1,134,530.

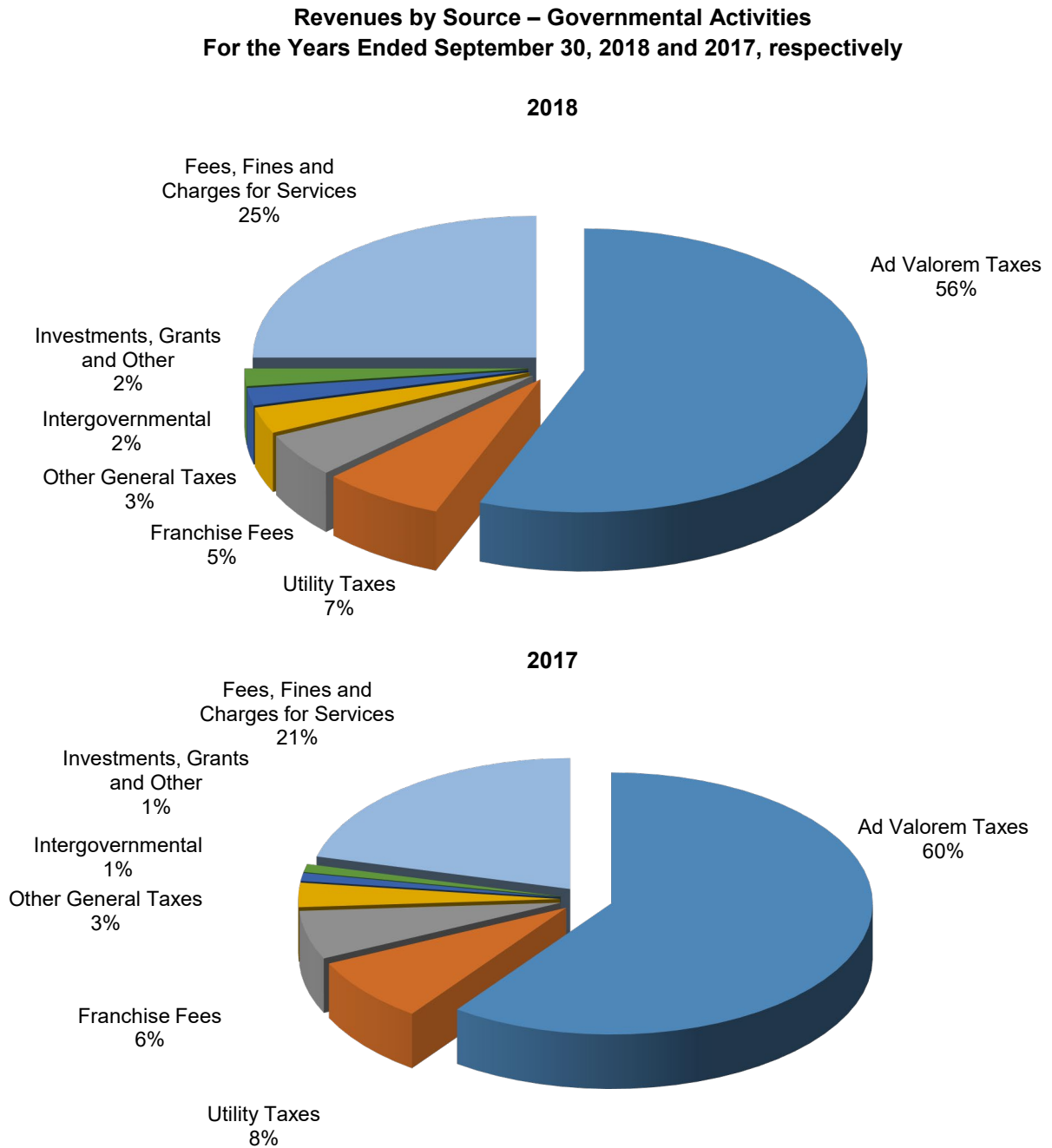
The table below summarizes the statements of activities:

Town of Medley, Florida
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2018	2017	2018	2017	2018	2017		
Revenues								
Program revenues								
Fees, fines, and charges for services	\$ 4,912,303	\$ 3,498,243	\$ 8,102,072	\$ 7,899,357	\$ 13,014,375	\$ 11,397,600	\$ 1,616,775	14.2 %
Operating grants and contributions	-	4,463	-	133,979	-	138,442	(138,442)	(100.0)
Capital grants and contributions	95,600	-	150,000	199,879	245,600	199,879	45,721	22.9
General revenues:								
Ad valorem taxes	10,845,954	9,939,329	-	-	10,845,954	9,939,329	906,625	9.1
Utility taxes	1,464,503	1,409,992	-	-	1,464,503	1,409,992	54,511	3.9
Franchise fees	1,035,178	1,025,198	-	-	1,035,178	1,025,198	9,980	1.0
Other general taxes	494,991	464,068	-	-	494,991	464,068	30,923	6.7
Intergovernmental	482,974	216,674	-	-	482,974	216,674	266,300	122.9
Investment earnings	171,854	102,716	117,264	102,813	289,118	205,529	83,589	40.7
Insurance settlement proceeds	-	-	200,436	-	200,436	-	200,436	-
Miscellaneous	168,079	132,130	-	-	168,079	132,130	35,949	27.2
Internal activity:								
Transfers	(228,838)	(164,307)	228,838	164,307	-	-	-	-
Total revenues and transfers	<u>19,442,598</u>	<u>16,628,506</u>	<u>8,798,610</u>	<u>8,500,335</u>	<u>28,241,208</u>	<u>25,128,841</u>	<u>3,112,367</u>	12.4
Expenses								
General government	6,779,427	6,375,443	-	-	6,779,427	6,375,443	403,984	6.3
Public safety	8,558,400	8,086,500	-	-	8,558,400	8,086,500	471,900	5.8
Physical environment	1,293,019	1,097,954	-	-	1,293,019	1,097,954	195,065	17.8
Human services	1,665,017	1,574,695	-	-	1,665,017	1,574,695	90,322	5.7
Culture and recreation	1,010,121	866,019	-	-	1,010,121	866,019	144,102	16.6
Interest	153,261	159,312	78,482	83,944	231,743	243,256	(11,513)	(4.7)
Water and wastewater	-	-	5,278,122	5,152,505	5,278,122	5,152,505	125,617	2.4
Stormwater utility	-	-	1,584,358	1,538,093	1,584,358	1,538,093	46,265	3.0
Medley Lakeside Retirement Park	-	-	390,032	375,409	390,032	375,409	14,623	3.9
Police gun range	-	-	316,439	271,953	316,439	271,953	44,486	16.4
Total expenses	<u>19,459,245</u>	<u>18,159,923</u>	<u>7,647,433</u>	<u>7,421,904</u>	<u>27,106,678</u>	<u>25,581,827</u>	<u>1,524,851</u>	6.0
Increase (Decrease) in Net Position	<u>(16,647)</u>	<u>(1,531,417)</u>	<u>1,151,177</u>	<u>1,078,431</u>	<u>1,134,530</u>	<u>(452,986)</u>	<u>1,587,516</u>	(350.5)
Net Position, beginning 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>	(0.3)
Adjustment to Net Position (GASB 75) - Note 2	<u>(6,820,093)</u>	<u>-</u>	<u>(2,085,709)</u>	<u>-</u>	<u>(8,905,802)</u>	<u>-</u>	<u>(8,905,802)</u>	N/A
Net Position, beginning of year, as restated	<u>133,433,319</u>	<u>141,784,829</u>	<u>36,484,394</u>	<u>37,491,672</u>	<u>169,917,713</u>	<u>179,276,501</u>	<u>(9,358,788)</u>	
Net Position, end of year	<u>\$ 133,416,672</u>	<u>\$ 140,253,412</u>	<u>\$ 37,635,571</u>	<u>\$ 38,570,103</u>	<u>\$ 171,052,243</u>	<u>\$ 178,823,515</u>	<u>\$ (7,771,272)</u>	(4.3) %

Governmental activities. Governmental activities decreased the Town's net position by \$16,647.

- Revenues.** The following chart shows the amounts of program and general revenues for fiscal years 2018 and 2017:



The Town is heavily reliant on property taxes to support governmental functions. Property taxes provided 56% of the Town's total revenues in fiscal year 2018 as compared to 60% in fiscal year 2017. Franchise fees and utility taxes provided 12% in fiscal year 2018 as compared to 14% in fiscal year 2017.

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

- **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	\$ 6,779,427	34.8%
Public safety	8,558,400	44.0
Physical environment	1,293,019	6.6
Human services	1,665,017	8.6
Culture and recreation	1,010,121	5.2
Interest	153,261	0.8
	<u>\$ 19,459,245</u>	<u>100.0%</u>

Expenses for governmental activities increased \$1,299,323 from the prior year. The increase is mostly attributable to increased general government, physical environment, and public safety costs.

Business-type activities. Business-type activities increased the Town's net position by \$1,151,177.

- **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 2018 and 2017:

	<u>Fiscal Year</u>	
	<u>2018</u>	<u>2017</u>
Water and wastewater	\$ 344,446	\$ 405,201
Stormwater utility	684,124	779,842
	<u>\$ 1,028,570</u>	<u>\$ 1,185,043</u>

The following includes an analysis of the fiscal year 2018 financial activities for each fund:

- The water and wastewater fund had an increase in net position of \$344,446, before adjustment to beginning net position due to the implementation of GASB 75. Operating revenues increased by \$239,248 from the prior year due to increased user charges. Operating expenses increased by \$125,617 from the prior year. This is mostly attributable to an increase in salaries, wages, and employee benefits.
- The water and wastewater fund had no capital contributions in fiscal year 2018. This was a decrease of \$189,879 from the prior year.
- The stormwater utility fund had an increase in net position of \$684,124. Operating revenues decreased by \$60,634 due to ERU adjustments in accordance with the terms of agreements with the owners of specific large properties. Operating expenses increased by \$46,265 from the prior year. This was mostly attributable to an increase in salaries, wages, and employee benefits.

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- **Nonmajor fund – Medley Lakeside Retirement Park.** There were transfers from the general fund of \$228,838 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. The park suffered seawall and road damage during Hurricane Irma. These damages have been mitigated by the Town, however additional repairs are required. The estimated costs of these repairs are \$1,400,000. The Town has filed an application with FEMA for reimbursement on this project.
- **Nonmajor fund – Medley Police Gun Range.** The gun range received \$200,436 in insurance proceeds as a result of damage suffered during Hurricane Irma. Additional costs related to the loss incurred during the hurricane have been submitted for reimbursement with the insurance company and FEMA. Those reimbursements are pending.

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	\$ 19,272,076	\$ 110,099	\$ 26,706	\$ 19,408,881
Expenditures	(19,893,904)	(718,238)	(29,695)	(20,641,837)
Other financing sources (uses), net	(228,838)	-	-	(228,838)
	<u>\$ (850,666)</u>	<u>\$ (608,139)</u>	<u>\$ (2,989)</u>	<u>\$ (1,461,794)</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 \$12,656,726, a decrease of \$1,461,794 in comparison with the prior year. Key components decreasing fund balance are as follows:

- A reduction in the millage rate from 5.5000 mills to 5.4000 mills.
- A 15% increase in departmental expenses, primarily due to increases in wages and benefits, insurance costs, and professional fees.
- An increase in capital outlay expenditures of \$968,303 from the prior year.
- An increase in Law Enforcement Trust Fund Expenditures of \$608,281. This fund is restricted for law enforcement purposes only. Expenditures cannot be budgeted. The reserves are to be spent to enhance and not maintain law enforcement activities.

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 \$11,407,025. 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 55% 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 \$1,151,177. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

Fiduciary funds. The General Employee Pension Fund funding requirement was \$900,745 which represents a decrease of \$79,787 from prior year. The plan is 100% funded by the Town of Medley which contributed \$1,000,000 to the plan in both 2018 and 2017. Pension plan assets are managed by the General Employee Pension Board of Trustees with the assistance of an investment advisor. The defined benefit plan has a blended multiplier of 2.50% for employees hired before June 30, 2014 and 1.67% for employees hired after that date. The normal monthly benefit for the Mayor is one-twelfth of \$8,500 for each year served after October 1, 2017. For years served prior to that date, the monthly retirement benefit is one-twelfth of \$5,500. The normal monthly benefit for Council persons is one-twelfth of \$3,800 for each year served after October 1, 2017. For years served prior to that date, the retirement benefit is one-twelfth of \$2,500.

Part-time employees earn benefits based on age and years of service. The maximum monthly benefit is \$330.

Elected officials' benefits are limited to 100% of monthly earnings, including cost of living adjustments. General employees' benefits are limited to 75% of monthly earnings, including cost of living benefits.

The Police Pension Fund is funded by Town, State and employee contributions. Employees contribute 5% of their pensionable wages to the plan. The annual required contributions to the plan was \$929,716, a decrease of \$17,082 from prior year. The actual Town and State contribution was \$1,262,555 for the current fiscal year and \$1,011,680 for the prior year. Police officers contributed \$151,915 and \$152,218 for 2018 and 2017, respectively.

The plan is administered by the Police Pension Board of Trustees with the assistance of an investment advisor. The current pension multiplier is 3.00%. Police officers hired prior to October 1, 2008 are limited to 100% of pensionable earnings. Police officers hired after October 1, 2008 are limited to 75% of their pensionable earnings.

Note 8, beginning on page 46, will provide more information regarding the Town's pension trust funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual revenues were higher than the budget by \$122,127. This was primarily due to the net effects of the following variances:

- Ad valorem collections were \$506,721 greater than budget.
- Utility taxes were \$72,471 over budget.
- Other general tax collections were \$99,615 under budget due primarily to decreases in communication services tax revenue.

Town of Medley, Florida
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- Intergovernmental collections were \$569,186 under budget because of certain project grants which were not realized due to the project not starting on time.
- Permits, fees, and licenses revenue was \$371,091 over budget. This revenue source depends on the volume of construction activity within the town limits and is somewhat unpredictable. In addition, landfill host fees were over budget because of debris removal and the fees generated from Hurricane Irma.
- Fines and forfeiture revenue was \$401,740 under budget. This was due to a number of red light cameras being inoperable during portions of fiscal year 2018.
- User chargers were \$90,335 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 \$2,592,579. This was primarily caused by lower than budgeted capital outlay costs of \$3,207,771 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 64 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, 2018, amounts to \$174,321,342 (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

	<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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>		
Land and improvements	\$ 10,159,032	\$ 9,989,832	\$ 799,239	\$ 799,239	\$ 10,958,271	\$ 10,789,071	\$ 169,200	1.6 %
Construction in progress	2,673,302	1,242,825	7,745,877	7,800,837	10,419,179	9,043,662	1,375,517	15.2
Buildings and improvements	15,434,300	15,304,803	1,578,087	1,020,570	17,012,387	16,325,373	687,014	4.2
Infrastructure	144,075,152	143,359,347	-	-	144,075,152	143,359,347	715,805	0.5
Machinery, equipment, and vehicles	5,776,387	5,713,791	3,196,125	3,085,548	8,972,512	8,799,339	173,173	2.0
Water and wastewater systems	-	-	26,523,478	24,664,361	26,523,478	24,664,361	1,859,117	7.5
Stormwater systems	-	-	12,485,764	11,210,525	12,485,764	11,210,525	1,275,239	11.4
Total	178,118,173	175,610,598	52,328,570	48,581,080	230,446,743	224,191,678	6,255,065	2.8
Accumulated depreciation	(37,262,946)	(35,689,677)	(18,862,455)	(17,912,672)	(56,125,401)	(53,602,349)	(2,523,052)	4.7
	<u>\$ 140,855,227</u>	<u>\$ 139,920,921</u>	<u>\$ 33,466,115</u>	<u>\$ 30,668,408</u>	<u>\$ 174,321,342</u>	<u>\$ 170,589,329</u>	<u>\$ 3,732,013</u>	2.2 %

Additional information on the Town's capital assets can be found in Note 5 on pages 43 through 45 of this report.

Long-term obligations. At year end, the Town had \$9,147,932 in notes outstanding versus \$10,131,110 last year. Repayments of debt amounted to \$983,178. Included in long-term obligations of the governmental fund and proprietary fund types are \$947,070 and \$202,403 in accrued compensated absence liabilities, respectively.

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Management's Discussion and Analysis
September 30, 2018

The following table reports long-term obligation balances at September 30, 2018 and 2017:

	Governmental Activities			Balance September 30, 2018
	Balance October 1, 2017	Additions	Reductions	
Notes payable	\$ 6,433,605	\$ -	\$ 739,136	\$ 5,694,469
Compensated absences	974,943	1,258,225	1,286,098	947,070
	<u>\$ 7,408,548</u>	<u>\$ 1,258,225</u>	<u>\$ 2,025,234</u>	<u>\$ 6,641,539</u>

	Business-Type Activities			Balance September 30, 2018
	Balance October 1, 2017	Additions	Reductions	
Notes payable	\$ 3,697,505	\$ -	\$ 244,042	\$ 3,453,463
Compensated absences	236,611	260,837	295,045	202,403
	<u>\$ 3,934,116</u>	<u>\$ 260,837</u>	<u>\$ 539,087</u>	<u>\$ 3,655,866</u>

Additional information on the Town's long-term debt can be found in Note 10 on pages 59 through 61 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 continue to increase from the prior years. The Town's taxable value has increased by approximately 12% since 2009.

The operating millage for the fiscal year ending September 30, 2019, is stated at 6.3000 mills. This represents a 25% increase over the rolled back rate and is higher than the 2018 millage rate of 5.4000 mills. The increase in millage is earmarked for capital improvements to the Town's infrastructure, including roads and public facilities.

The general fund's total 2019 departmental expenditures are budgeted at \$16,702,679 which is \$76,024 more than fiscal 2018 actual expenditures.

In fiscal year 2019, the Town has budgeted over \$12 million in capital projects: \$4.3 million from the general fund and the balance from the proprietary funds. Major projects include NW 89th Avenue and NW 93rd Street roadway and drainage improvements; Miami Canal seawall improvements; NW South River Drive road and drainage 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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,566,082	\$ 7,093,678	\$ 11,659,760
Investments	8,590,184	3,550,160	12,140,344
Receivables, net	726,004	721,425	1,447,429
Internal balances	(1,184,046)	1,184,046	-
Prepaid expenses	64,865	12,716	77,581
Notes receivable	-	7,418	7,418
	<u>12,763,089</u>	<u>12,569,443</u>	<u>25,332,532</u>
Restricted assets			
Cash and cash equivalents	1,173,970	619,006	1,792,976
Net pension asset	349,720	-	349,720
Total restricted assets	<u>1,523,690</u>	<u>619,006</u>	<u>2,142,696</u>
Capital assets			
Capital assets not being depreciated	112,726,547	8,223,515	120,950,062
Capital assets being depreciated, net	28,128,680	25,242,600	53,371,280
Total capital assets	<u>140,855,227</u>	<u>33,466,115</u>	<u>174,321,342</u>
Total assets	<u>155,142,006</u>	<u>46,654,564</u>	<u>201,796,570</u>
Deferred Outflows			
Deferred outflows related to pensions	<u>1,722,047</u>	<u>393,017</u>	<u>2,115,064</u>
Liabilities			
Liabilities			
Accounts payable and accrued liabilities	1,129,226	1,250,218	2,379,444
Liabilities payable from restricted assets	-	409,337	409,337
Long-term obligations			
Due within one year	752,804	249,633	1,002,437
Due after one year	5,888,735	3,406,233	9,294,968
Other post employment benefits	10,264,420	2,511,953	12,776,373
Net pension liability	1,591,445	669,714	2,261,159
Total liabilities	<u>19,626,630</u>	<u>8,497,088</u>	<u>28,123,718</u>
Deferred Inflows			
Unearned revenue	151,107	-	151,107
Refundable advances	-	16,936	16,936
Deferred developer fees	-	75,749	75,749
Deferred inflows related to other post employment benefits	394,643	166,075	560,718
Deferred inflows related to pensions	3,275,001	656,162	3,931,163
Total deferred inflows	<u>3,820,751</u>	<u>914,922</u>	<u>4,735,673</u>
Net Position			
Investment in capital assets, net of related debt	135,160,758	30,012,652	165,173,410
Restricted	1,249,701	-	1,249,701
Unrestricted	<u>(2,993,787)</u>	<u>7,622,919</u>	<u>4,629,132</u>
Total net position	<u>\$ 133,416,672</u>	<u>\$ 37,635,571</u>	<u>\$ 171,052,243</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, 2018

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	\$ 6,779,427	\$ 3,914,786	\$ -	\$ 95,600	\$ (2,769,041)	\$ -	\$ (2,769,041)
Public safety	8,558,400	997,517	-	-	(7,560,883)	-	(7,560,883)
Physical environment	1,293,019	-	-	-	(1,293,019)	-	(1,293,019)
Human services	1,665,017	-	-	-	(1,665,017)	-	(1,665,017)
Culture and recreation	1,010,121	-	-	-	(1,010,121)	-	(1,010,121)
Interest on long-term obligations	153,261	-	-	-	(153,261)	-	(153,261)
Total governmental activities	<u>19,459,245</u>	<u>4,912,303</u>	<u>-</u>	<u>95,600</u>	<u>(14,451,342)</u>	<u>-</u>	<u>(14,451,342)</u>
Business-type activities							
Water and wastewater utility	5,307,913	5,588,905	-	-	-	280,992	280,992
Stormwater utility	1,633,049	2,114,122	-	150,000	-	631,073	631,073
Medley Lakeside Retirement Park	390,032	201,126	-	-	-	(188,906)	(188,906)
Police gun range	316,439	197,919	-	-	-	(118,520)	(118,520)
Total business-type activities	<u>7,647,433</u>	<u>8,102,072</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>604,639</u>	<u>604,639</u>
	<u>\$ 27,106,678</u>	<u>\$ 13,014,375</u>	<u>\$ -</u>	<u>\$ 245,600</u>	<u>(14,451,342)</u>	<u>604,639</u>	<u>(13,846,703)</u>
General revenues							
Ad valorem taxes					10,845,954	-	10,845,954
Utility taxes					1,464,503	-	1,464,503
Other general taxes					494,991	-	494,991
Intergovernmental					482,974	-	482,974
Franchise fees					1,035,178	-	1,035,178
Investment earnings					171,854	117,264	289,118
Insurance settlement proceeds					-	200,436	200,436
Miscellaneous					168,079	-	168,079
Transfers					(228,838)	228,838	-
Total general revenues					<u>14,434,695</u>	<u>546,538</u>	<u>14,981,233</u>
Change in net position					(16,647)	1,151,177	1,134,530
Net position, beginning of year, as restated, Note 2					<u>133,433,319</u>	<u>36,484,394</u>	<u>169,917,713</u>
Net position, end of year					<u>\$ 133,416,672</u>	<u>\$ 37,635,571</u>	<u>\$ 171,052,243</u>

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

Town of Medley, Florida
Governmental Funds
Balance Sheet
September 30, 2018

	<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	\$ 4,471,338	\$ -	\$ 94,744	\$ 4,566,082
Investments	8,590,184	-	-	8,590,184
Receivables, net	726,004	-	-	726,004
Due from other funds	302,005	-	-	302,005
Prepaid expenses	64,865	-	-	64,865
Restricted assets				
Cash and cash equivalents	-	1,173,970	-	1,173,970
Total assets	<u>\$ 14,154,396</u>	<u>\$ 1,173,970</u>	<u>\$ 94,744</u>	<u>\$ 15,423,110</u>
Liabilities, Deferred Inflows, and Fund Equity				
Liabilities				
Accounts payable and accrued liabilities	\$ 1,062,410	\$ 63,616	\$ 3,200	\$ 1,129,226
Due to other funds	1,468,989	1,679	15,383	1,486,051
Total liabilities	<u>2,531,399</u>	<u>65,295</u>	<u>18,583</u>	<u>2,615,277</u>
Deferred inflows – unearned revenue	<u>151,107</u>	<u>-</u>	<u>-</u>	<u>151,107</u>
Fund equity				
Fund balance				
Nonspendable	64,865	-	-	64,865
Restricted	-	1,108,675	-	1,108,675
Committed	-	-	76,161	76,161
Assigned	7,200,000	-	-	7,200,000
Unassigned	4,207,025	-	-	4,207,025
Total fund equity	<u>11,471,890</u>	<u>1,108,675</u>	<u>76,161</u>	<u>12,656,726</u>
Total liabilities, deferred inflows, and fund equity	<u>\$ 14,154,396</u>	<u>\$ 1,173,970</u>	<u>\$ 94,744</u>	<u>\$ 15,423,110</u>

Continued

Town of Medley, Florida
Governmental Funds
Balance Sheet
September 30, 2018

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position:	
Total fund balance – total governmental funds	\$ 12,656,726
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$178,118,173, net of accumulated depreciation of \$37,262,946, are not financial resources and, therefore, are not reported in the funds.	140,855,227
Long-term obligations of \$6,641,539 are not due and payable in the current period and are not reported in the funds.	(6,641,539)
On the statement of net position, the Town's other post employment benefit liability for the defined benefit plan of the Town is reported as a noncurrent liability. Additionally, deferred inflows of resources related to the plan are also reported.	
Other post employment benefits	(10,264,420)
Deferred inflows related to other post employment benefits	(394,643)
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	(1,241,725)
Deferred outflows related to pensions	1,722,047
Deferred inflows related to pensions	<u>(3,275,001)</u>
Net position of governmental activities	<u>\$ 133,416,672</u>

Town of Medley, Florida
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2018

	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total Governmental Funds</u>
Revenues				
Ad valorem taxes	\$ 10,845,954	\$ -	\$ -	\$ 10,845,954
Utility taxes	1,464,503	-	-	1,464,503
Other general taxes	725,101	-	-	725,101
Intergovernmental	316,019	-	-	316,019
Permits, fees, and licenses	4,719,854	-	-	4,719,854
Fines and forfeitures	598,260	56,661	-	654,921
User charges	340,335	-	-	340,335
Miscellaneous	262,050	53,438	26,706	342,194
Total revenues	<u>19,272,076</u>	<u>110,099</u>	<u>26,706</u>	<u>19,408,881</u>
Expenditures				
Current operating:				
General government	5,258,779	-	-	5,258,779
Public safety	7,779,833	72,303	-	7,852,136
Physical environment	1,155,206	-	-	1,155,206
Human services	1,576,902	-	-	1,576,902
Culture and recreation	855,935	-	29,695	885,630
Capital outlay	2,374,852	645,935	-	3,020,787
Debt service	892,397	-	-	892,397
Total expenditures	<u>19,893,904</u>	<u>718,238</u>	<u>29,695</u>	<u>20,641,837</u>
Deficiency of revenues over expenditures	<u>(621,828)</u>	<u>(608,139)</u>	<u>(2,989)</u>	<u>(1,232,956)</u>
Other financing uses				
Operating transfers – out	<u>(228,838)</u>	<u>-</u>	<u>-</u>	<u>(228,838)</u>
Total other financing uses	<u>(228,838)</u>	<u>-</u>	<u>-</u>	<u>(228,838)</u>
Deficiency of revenues over expenditures and other financing uses	<u>(850,666)</u>	<u>(608,139)</u>	<u>(2,989)</u>	<u>(1,461,794)</u>
Fund balances,				
Beginning of year	<u>12,322,556</u>	<u>1,716,814</u>	<u>79,150</u>	<u>14,118,520</u>
End of year	<u>\$ 11,471,890</u>	<u>\$ 1,108,675</u>	<u>\$ 76,161</u>	<u>\$ 12,656,726</u>

Continued

Town of Medley, Florida
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2018

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	\$ (1,461,794)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$3,020,787 was exceeded by depreciation of \$2,035,790 in the current period.	984,997
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.	(50,691)
Change in long-term compensated absences recognized in statement of activities, not recognized as expenditures.	27,873
Other post employment benefit obligations, net of payments made, is recorded in the statement of activities and change in net position, but not recorded in the fund balance of the governmental funds. The expense represents an actuarially determined amount.	(361,324)
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.	739,136
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.	1,703,819
Contributions made to the Police Officers' Retirement Plan by the State of Florida are shown as a revenue on the government-wide statement of activities because the contributions reduce net pension liability in the statement of net position	262,555
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>(1,861,218)</u>
Change in net position of governmental activities	<u>\$ (16,647)</u>

Town of Medley, Florida
Proprietary Funds
Statement of Net Position
September 30, 2018

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Assets				
Current assets				
Cash and cash equivalents	\$ 4,238,989	\$ 2,612,405	\$ 242,284	\$ 7,093,678
Investments	2,084,663	1,465,497	-	3,550,160
Receivables, net	561,593	48,377	15,764	625,734
Due from other governments	95,691	-	-	95,691
Due from other funds	871,135	815,764	2,289	1,689,188
Prepaid expenses	2,380	-	10,336	12,716
Current portion of notes receivable	7,418	-	-	7,418
Total current assets	<u>7,861,869</u>	<u>4,942,043</u>	<u>270,673</u>	<u>13,074,585</u>
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	485,086	133,920	-	619,006
Total restricted assets	<u>485,086</u>	<u>133,920</u>	<u>-</u>	<u>619,006</u>
Non-restricted assets				
Capital assets, net	18,438,636	14,801,200	226,279	33,466,115
Total non-restricted assets	<u>18,438,636</u>	<u>14,801,200</u>	<u>226,279</u>	<u>33,466,115</u>
Total noncurrent assets	<u>18,923,722</u>	<u>14,935,120</u>	<u>226,279</u>	<u>34,085,121</u>
Total assets	<u>26,785,591</u>	<u>19,877,163</u>	<u>496,952</u>	<u>47,159,706</u>
Deferred Outflows				
Related to pensions	256,219	110,175	26,623	393,017
Total deferred outflows	<u>256,219</u>	<u>110,175</u>	<u>26,623</u>	<u>393,017</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	713,663	500,333	36,222	1,250,218
Due to other funds	149,367	307,287	48,488	505,142
Liabilities payable from restricted assets				
Utility deposits	409,337	-	-	409,337
Current portion of notes payable	115,713	133,920	-	249,633
Total current liabilities	<u>1,388,080</u>	<u>941,540</u>	<u>84,710</u>	<u>2,414,330</u>
Long-term obligations				
Notes payable, net of current portion	939,433	2,264,397	-	3,203,830
Compensated absences	123,139	55,751	23,513	202,403
Other post employment benefits	1,652,989	598,506	260,458	2,511,953
Net pension liability	436,607	187,741	45,366	669,714
Total long-term debt	<u>3,152,168</u>	<u>3,106,395</u>	<u>329,337</u>	<u>6,587,900</u>
Total liabilities	<u>4,540,248</u>	<u>4,047,935</u>	<u>414,047</u>	<u>9,002,230</u>
Deferred Inflows				
Related to other post employment benefits	108,269	46,555	11,251	166,075
Related to pensions	427,772	183,944	44,446	656,162
Refundable advances	-	16,936	-	16,936
Deferred developer fees	75,749	-	-	75,749
Total deferred inflows	<u>611,790</u>	<u>247,435</u>	<u>55,697</u>	<u>914,922</u>
Net Position				
Investment in capital assets, net of related debt	17,383,490	12,402,883	226,279	30,012,652
Unrestricted	4,506,282	3,289,085	(172,448)	7,622,919
Total net position	<u>\$ 21,889,772</u>	<u>\$ 15,691,968</u>	<u>\$ 53,831</u>	<u>\$ 37,635,571</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, 2018

	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Operating revenues				
User charges	\$ 5,463,793	\$ 2,098,664	\$ 389,642	\$ 7,952,099
Service and hook-up charges	125,112	-	-	125,112
Miscellaneous other	-	15,458	9,403	24,861
Total operating revenue	<u>5,588,905</u>	<u>2,114,122</u>	<u>399,045</u>	<u>8,102,072</u>
Operating expenses				
Salaries, wages and employee benefits	1,593,871	663,070	272,324	2,529,265
Contractual services, materials, and supplies	3,006,662	544,394	397,709	3,948,765
Depreciation and amortization	677,589	376,894	36,438	1,090,921
Total operating expenses	<u>5,278,122</u>	<u>1,584,358</u>	<u>706,471</u>	<u>7,568,951</u>
Operating income (loss)	<u>310,783</u>	<u>529,764</u>	<u>(307,426)</u>	<u>533,121</u>
Non-operating revenues (expenses)				
Grants	-	150,000	-	150,000
Insurance settlement proceeds	-	-	200,436	200,436
Interest income	63,454	53,051	759	117,264
Interest expense	(29,791)	(48,691)	-	(78,482)
Total non-operating revenues	<u>33,663</u>	<u>154,360</u>	<u>201,195</u>	<u>389,218</u>
Income (loss) before other revenues and operating transfers	<u>344,446</u>	<u>684,124</u>	<u>(106,231)</u>	<u>922,339</u>
Other revenues and operating transfers				
Operating transfers-in	-	-	228,838	228,838
Total other revenues and operating transfers	<u>-</u>	<u>-</u>	<u>228,838</u>	<u>228,838</u>
Net income	344,446	684,124	122,607	1,151,177
Net position				
Beginning of year, as restated	<u>21,545,326</u>	<u>15,007,844</u>	<u>(68,776)</u>	<u>36,484,394</u>
End of year	<u>\$ 21,889,772</u>	<u>\$ 15,691,968</u>	<u>\$ 53,831</u>	<u>\$ 37,635,571</u>

Town of Medley, Florida
Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2018

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Cash flows from operating activities				
Receipts from customers and users	\$ 5,748,253	\$ 2,114,730	\$ 390,213	\$ 8,253,196
Payments to suppliers	(3,153,563)	(1,071,360)	(388,464)	(4,613,387)
Payments to employees	(1,452,987)	(627,703)	(247,866)	(2,328,556)
Other receipts	12,610	15,458	9,403	37,471
Net cash provided by (used in) operating activities	<u>1,154,313</u>	<u>431,125</u>	<u>(236,714)</u>	<u>1,348,724</u>
Cash flows from noncapital financing activities				
Decrease in current liabilities payable from restricted assets	(2,415)	-	-	(2,415)
Proceeds from insurance claim	-	-	200,436	200,436
Transfers from other funds	-	-	228,838	228,838
Decrease in deferred developer fees	(13,000)	-	-	(13,000)
Change in due from/to other funds	(2,383,445)	620,541	14,185	(1,748,719)
Net cash provided by (used in) noncapital financing activities	<u>(2,398,860)</u>	<u>620,541</u>	<u>443,459</u>	<u>(1,334,860)</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(574,372)	(2,776,727)	(147,018)	(3,498,117)
Proceeds from capital grants	-	150,000	-	150,000
Principal reduction on notes payable	(112,696)	(131,346)	-	(244,042)
Interest paid on notes payable	(29,791)	(48,691)	-	(78,482)
Net cash used in capital and related financing activities	<u>(716,859)</u>	<u>(2,806,764)</u>	<u>(147,018)</u>	<u>(3,670,641)</u>
Cash flows from investing activities				
Redemption of investments	-	1,182,113	-	1,182,113
Purchase of investments	(35,061)	(32,113)	-	(67,174)
Interest income received	63,454	56,835	759	121,048
Net cash provided by investing activities	<u>28,393</u>	<u>1,206,835</u>	<u>759</u>	<u>1,235,987</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,933,013)</u>	<u>(548,263)</u>	<u>60,486</u>	<u>(2,420,790)</u>
Cash and cash equivalents				
Beginning of year	<u>6,657,088</u>	<u>3,294,588</u>	<u>181,798</u>	<u>10,133,474</u>
End of year	<u>\$ 4,724,075</u>	<u>\$ 2,746,325</u>	<u>\$ 242,284</u>	<u>\$ 7,712,684</u>

Continued

Town of Medley, Florida
Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2018

	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	\$ 4,238,989	\$ 2,612,405	\$ 242,284	\$ 7,093,678
Restricted cash and cash equivalents	485,086	133,920	-	619,006
	<u>\$ 4,724,075</u>	<u>\$ 2,746,325</u>	<u>\$ 242,284</u>	<u>\$ 7,712,684</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 310,783	\$ 529,764	\$ (307,426)	\$ 533,121
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	677,589	376,894	36,438	1,090,921
Bad debt expense	69,527	15,372	-	84,899
Loss on disposal of fixed asset	12,610	-	-	12,610
Changes in:				
Receivables	99,872	(870)	571	99,573
Due from other governments	57,591	-	-	57,591
Notes receivable	59,476	-	-	59,476
Deferred outflows of resources	146,946	80,063	9,846	236,855
Accounts payable and accrued liabilities	(274,019)	(542,338)	9,245	(807,112)
Refundable advances	-	16,936	-	16,936
Compensated absences	(22,343)	(12,049)	184	(34,208)
Other post employment benefits	(9,141)	(3,930)	(950)	(14,021)
Deferred inflows of resources	102,472	25,916	16,478	144,866
Net pension liability	(77,050)	(54,633)	(1,100)	(132,783)
Net cash provided by (used in) operating activities	<u>\$ 1,154,313</u>	<u>\$ 431,125</u>	<u>\$ (236,714)</u>	<u>\$ 1,348,724</u>

Supplemental disclosure of noncash investing and financing activities

In the Stormwater Utility Fund, the Town had \$403,121 of purchases of capital assets in accounts payable.

Town of Medley, Florida
Fiduciary Funds
Statement of Fiduciary Net Position
September 30, 2018

	Pension Trust Funds		Total
	General Employees' Pension Fund	Police Officers' Retirement Fund	
Assets			
Investments at fair value	<u>\$ 21,685,308</u>	<u>\$ 27,381,317</u>	<u>\$ 49,066,625</u>
Total assets	<u>21,685,308</u>	<u>27,381,317</u>	<u>49,066,625</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>\$ 21,681,472</u></u>	<u><u>\$ 27,381,317</u></u>	<u><u>\$ 49,062,789</u></u>

Town of Medley, Florida
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2018

	<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	\$ 1,262,555	\$ 2,262,555
Employee	-	151,915	151,915
Total contributions	<u>1,000,000</u>	<u>1,414,470</u>	<u>2,414,470</u>
Investment gains, including net unrealized loss on investments	<u>1,800,515</u>	<u>2,092,303</u>	<u>3,892,818</u>
Total additions	<u>2,800,515</u>	<u>3,506,773</u>	<u>6,307,288</u>
Deductions			
Benefit payments	914,153	1,304,893	2,219,046
Administrative expense	20,331	32,350	52,681
Total deductions	<u>934,484</u>	<u>1,337,243</u>	<u>2,271,727</u>
Change in net position	1,866,031	2,169,530	4,035,561
Net position restricted for pension benefits			
Beginning of year	<u>19,815,441</u>	<u>25,211,787</u>	<u>45,027,228</u>
End of year	<u>\$ 21,681,472</u>	<u>\$ 27,381,317</u>	<u>\$ 49,062,789</u>

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

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, 2018.

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, 2018, the carrying amount of the Town's deposits was \$13,452,736 and the bank balances of the Town's deposits were \$14,490,425. A portion of the bank balances was covered by federal deposit insurance and the remainder was covered by pledged collateral as required by Florida Statutes. All collateral is pledged in the Town's name and is held by a third party financial institution.

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

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

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

(2) Town of Medley's Investment Policies

(a) Credit Risk

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

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

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

(b) Interest Rate Risk

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

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

(c) Foreign Currency Risk

Foreign currency risk is the risk that the change in exchange rates will adversely affect the fair value of an investment. The Town's general employees' pension fund and the police officers' retirement fund hold \$1,987,889 and \$2,408,651, respectively, in various foreign equities as of September 30, 2018. The foreign holdings account for approximately 9% of each fund's respective investments. The pension plans have no investment policies that limit its investment choices as it relates to foreign equities.

(d) Defined Benefit Pension Trust Policy

The Town has established defined pension trust funds for the benefit of qualified Town employees. Investment policies provide for the investment managers, who have full discretion of assets allocated to them, be subject to overall investment guidelines set out in the policies. Manager performance is reviewed by a consultant who provides reports to the governing boards. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds, and mutual funds. The plans address custodial credit risk by providing for the engagement of custodians who accept possession of securities for safekeeping; collect and disburse income; collect principal of sold, matured, or called items; and provide a periodic accounting to the Town. The general employees' pension plan presently has allocated 27% of its investments in fixed income securities, 64% in domestic equity, and 9% in international stock. The police officers' retirement fund presently has allocated 29% of its investment in fixed income securities, 62% in domestic equity, and 9% in international equities.

For the year ended September 30, 2018, the annual money weighted rate of return on plan investments, net of investment expense, was 9.03% and 8.26% 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, 2018, are as follows:

	General Employees' Pension Plan	Police Officers' Retirement Fund
Fidelity 500 IDX Instl Prem	\$ 3,156,346	\$ 3,127,341
Harbor Bond	1,691,961	4,001,577
MFS Value R5	3,486,416	-
Oakmark International I	-	2,408,651
Stable Asset Fund II	4,230,271	4,001,694
T. Rowe Price Growth Stock	3,560,105	-
Vanguard Morgan Grwth Adml DB	-	3,151,960
Vanguard REIT Index Admiral DB	-	1,686,888
Vanguard Value Index Admiral DB	-	3,085,694
	<u>\$ 16,125,099</u>	<u>\$ 21,463,805</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.

Town of Medley, Florida
Notes to Financial Statements
September 30, 2018

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.

Stable Asset Fund: The investment is a fixed annuity contract invested in the Standard Insurance Company general account. Shares of the insurance company general account are valued at contract value, which represents the unit value assigned to the fund based on the fund's guaranteed interest rate and approximates fair value. The contract value is readily observable and associated fees charged for termination can be obtained resulting in a classification of Level 2 within the fair value hierarchy.

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, 2018, for the General Employees' Pension Fund and the Police Officers' Retirement Fund, respectively.

General Employees' Pension Fund				
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Stable Asset Fund (a)	\$ 4,230,271	\$ -	Daily	Daily
Pooled separate accounts:				
Fixed income securities (b)	1,691,961	-	Daily	Daily
Domestic equity securities (c)	13,775,187	-	Daily	Daily
International stock securities (d)	1,987,889	-	Daily	Daily
	<u>17,455,037</u>	<u>-</u>		
	<u>\$ 21,685,308</u>	<u>\$ -</u>		
Police Officers' Retirement Fund				
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Stable Asset Fund (a)	\$ 4,001,694	\$ -	Daily	Daily
Pooled separate accounts:				
Fixed income securities (b)	4,001,577	-	Daily	Daily
Domestic equity securities (c)	16,969,395	-	Daily	Daily
International stock securities (d)	2,408,651	-	Daily	Daily
	<u>23,379,623</u>	<u>-</u>		
	<u>\$ 27,381,317</u>	<u>\$ -</u>		

- (a) The fund is best suited for investors seeking competitive intermediate-term returns and preservation of capital. The fund invests in a portfolio of publicly traded bonds plus small commercial mortgage loans within Standard Insurance Company's general account. The guaranteed annualized net crediting rate is declared in advance and is reset quarterly. The declared crediting rate will never be below 1%. Contract charges may reduce this return.
- (b) The investment seeks total return. The fund invests at least 80% of its net assets, plus borrowings for investment purposes, in a diversified portfolio of fixed income instruments, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements. Its average duration, as calculated by the subadviser, is normally equal to that of its benchmark, plus or minus two years. The fund may invest up to 30% of its total assets in non-U.S. dollar-denominated securities and may invest without limit in U.S. dollar-denominated securities of foreign issuers.
- (c) The investment seeks long-term capital growth through investments in stocks. The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in the common stocks of a diversified group of growth companies. While most assets will typically be invested in U.S. common stocks, the fund may invest in foreign stocks in keeping with the fund's objective.
- (d) The investment seeks long-term growth of capital. The funds invest primarily in common stocks of issuers that the investment advisor believes have the potential for growth.

(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 13 for details of interfund transactions, including receivables and payables at year-end.

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

(4) Notes Receivable

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

(5) Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$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:

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

(6) Deferred Outflows of Resources

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

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

(7) Deferred Inflows of Resources

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, 2018, that are for fiscal year 2019 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. The deferred inflows related to other post employment benefits are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The deferred inflows related to other post employment benefits will be recognized as a reduction to health insurance expenses in future reporting years. Details on the composition of deferred inflows related to pensions and other post employment benefits 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, 2018, 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, 2018, the Town recorded a net pension liability related to the General Employees' Pension Plan and recorded a net pension asset related to 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 8 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 spouses 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 in accordance with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Please refer to Note 8 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.

H. Estimates

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

I. Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; an amendment of GASB Statement No. 45, was issued in June 2015 and was implemented by the Town beginning with its year ending September 30, 2018. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for post employment benefits other than pensions. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, as they relate to OPEB, and result in the other post employment benefits liability of the Town's OPEB plan being recorded as a liability on the statement of net position.

J. Subsequent Events

The Town has evaluated subsequent events through May 20, 2019, the date which the financial statements were available to be issued.

2. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain post employment benefits. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, beginning net position and other post employment benefits on the Statement of Net Position were adjusted as noted in the following table:

	Governmental Activities		Business-Type Activities		Total	
	Other Post employment Benefits	Net Position	Other Post employment Benefits	Net Position	Other Post employment Benefits	Net Position
Balance at September 30, 2017, as previously reported	\$ 3,477,646	\$ 140,253,412	\$ 440,265	\$ 38,570,103	\$ 3,917,911	\$ 178,823,515
Restatement of beginning balance - Adoption of GASB Statement No. 75: Increase liability Other postemployment benefits	6,820,093 6,820,093	(6,820,093) (6,820,093)	2,085,709 2,085,709	(2,085,709) (2,085,709)	8,905,802 8,905,802	(8,905,802) (8,905,802)
Balance at September 30, 2017, as restated	\$ 10,297,739	\$ 133,433,319	\$ 2,525,974	\$ 36,484,394	\$ 12,823,713	\$ 169,917,713

Town of Medley, Florida
Notes to Financial Statements
September 30, 2018

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents at September 30, 2018, 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	\$ 1,284,295	\$ 427	\$ 1,284,722	\$ 232,917	\$ 1,517,639	\$ 2,542,559
Money market funds	<u>3,187,043</u>	<u>94,317</u>	<u>3,281,360</u>	<u>6,860,761</u>	<u>10,142,121</u>	<u>10,133,455</u>
	<u>4,471,338</u>	<u>94,744</u>	<u>4,566,082</u>	<u>7,093,678</u>	<u>11,659,760</u>	<u>12,676,014</u>
Restricted						
Demand deposits	-	62,960 ³	62,960	-	62,960	84,394
Money market funds	-	<u>1,111,010</u> ³	<u>1,111,010</u>	<u>619,006</u> ^{1, 2 & 4}	<u>1,730,016</u>	<u>1,730,017</u>
	-	<u>1,173,970</u>	<u>1,173,970</u>	<u>619,006</u>	<u>1,792,976</u>	<u>1,814,411</u>
Total cash and cash equivalents	<u>\$ 4,471,338</u>	<u>\$ 1,268,714</u>	<u>\$ 5,740,052</u>	<u>\$ 7,712,684</u>	<u>\$ 13,452,736</u>	<u>\$ 14,490,425</u>

Investments at September 30, 2018, 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	<u>\$ 7,281,663</u>	<u>\$ -</u>	<u>\$ 7,281,663</u>	<u>\$ 2,007,960</u>	<u>\$ 9,289,623</u>	<u>\$ 9,300,962</u>
Total certificates of deposit	<u>\$ 7,281,663</u>	<u>\$ -</u>	<u>\$ 7,281,663</u>	<u>\$ 2,007,960</u>	<u>\$ 9,289,623</u>	<u>\$ 9,300,962</u>
FLCLASS pooled cash:						
Unrestricted	<u>\$ 1,308,521</u>	<u>\$ -</u>	<u>\$ 1,308,521</u>	<u>\$ 1,542,200</u>	<u>\$ 2,850,721</u>	<u>\$ 2,850,721</u>
Total FLCLASS pooled cash	<u>\$ 1,308,521</u>	<u>\$ -</u>	<u>\$ 1,308,521</u>	<u>\$ 1,542,200</u>	<u>\$ 2,850,721</u>	<u>\$ 2,850,721</u>
Total investments:	<u>\$ 8,590,184</u>	<u>\$ -</u>	<u>\$ 8,590,184</u>	<u>\$ 3,550,160</u>	<u>\$ 12,140,344</u>	<u>\$ 12,151,683</u>

¹ Restricted for customer utility deposits

² Restricted for debt service

³ Restricted for law enforcement

⁴ Restricted for deferred developer fees

Town of Medley, Florida
Notes to Financial Statements
September 30, 2018

4. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables and due from other governments consist of the following at September 30, 2018:

	Governmental	Enterprise Funds				Total
	Fund	Water and Wastewater	Stormwater Utility	Police Gun Range	Total Enterprise	
	General Fund					
Receivables						
User charges	\$ 39,005	\$ 617,593	\$ 126,863	\$ 16,764	\$ 761,220	\$ 800,225
Interest	1,954	-	2,514	-	2,514	4,468
Utility taxes	206,871	-	-	-	-	206,871
Franchise fees	155,464	-	-	-	-	155,464
Host fees	126,712	-	-	-	-	126,712
Other	7,221	-	-	-	-	7,221
Total receivables	<u>537,227</u>	<u>617,593</u>	<u>129,377</u>	<u>16,764</u>	<u>763,734</u>	<u>1,300,961</u>
Due from other governments						
Miami-Dade County	70,583	95,691	-	-	95,691	166,274
State of Florida	110,775	-	-	-	-	110,775
Other	24,919	-	-	-	-	24,919
Total due from other governments	<u>206,277</u>	<u>95,691</u>	<u>-</u>	<u>-</u>	<u>95,691</u>	<u>301,968</u>
Allowance for doubtful accounts	(17,500)	(56,000)	(81,000)	(1,000)	(138,000)	(155,500)
	<u>\$ 726,004</u>	<u>\$ 657,284</u>	<u>\$ 48,377</u>	<u>\$ 15,764</u>	<u>\$ 721,425</u>	<u>\$ 1,447,429</u>
Bad debt expense for the year ended September 30, 2018	<u>\$ 10,362</u>	<u>\$ 69,527</u>	<u>\$ 15,372</u>	<u>\$ -</u>	<u>\$ 84,899</u>	<u>\$ 95,261</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2018

5. CAPITAL ASSETS

A. Changes in Capital Assets

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

	Balance, October 1, 2017	Additions	Dispositions	Transfers	Balance, September 30, 2018
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 9,989,832	\$ 169,200	\$ -	\$ -	\$ 10,159,032
Infrastructure	99,894,213	-	-	-	99,894,213
Construction in progress	1,242,825	2,295,799	(13,575)	(851,747)	2,673,302
Total capital assets not being depreciated	<u>111,126,870</u>	<u>2,464,999</u>	<u>(13,575)</u>	<u>(851,747)</u>	<u>112,726,547</u>
Capital assets being depreciated:					
Buildings and improvements	15,304,803	-	(6,445)	135,942	15,434,300
Infrastructure	43,465,134	-	-	715,805	44,180,939
Transportation equipment	2,799,083	419,004	(338,177)	-	2,879,910
Machinery and equipment	2,914,708	136,784	(155,015)	-	2,896,477
Total capital assets being depreciated	64,483,728	555,788	(499,637)	851,747	65,391,626
Accumulated depreciation	<u>(35,689,677)</u>	<u>(2,035,790)</u>	<u>462,521</u>	<u>-</u>	<u>(37,262,946)</u>
Capital assets being depreciated, net	<u>28,794,051</u>	<u>(1,480,002)</u>	<u>(37,116)</u>	<u>851,747</u>	<u>28,128,680</u>
Governmental activities – capital assets, net	<u>\$ 139,920,921</u>	<u>\$ 984,997</u>	<u>\$ (50,691)</u>	<u>\$ -</u>	<u>\$ 140,855,227</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2018

	Balance, October 1, 2017	Additions	Dispositions	Transfers	Balance, September 30, 2018
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	4,289,099	544,518	-	(2,131,000)	2,702,617
Stormwater utility fund	3,511,738	3,179,848	-	(1,729,988)	4,961,598
Medley Lakeside Retirement Park fund	-	73,311	-	-	73,311
Police gun range fund	-	8,351	-	-	8,351
	<u>7,800,837</u>	<u>3,806,028</u>	<u>-</u>	<u>(3,860,988)</u>	<u>7,745,877</u>
Total capital assets not being depreciated	<u>8,278,475</u>	<u>3,806,028</u>	<u>-</u>	<u>(3,860,988)</u>	<u>8,223,515</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	24,664,361	-	-	1,859,117	26,523,478
Stormwater utility fund	11,210,525	-	-	1,275,239	12,485,764
	<u>35,874,886</u>	<u>-</u>	<u>-</u>	<u>3,134,356</u>	<u>39,009,242</u>
Buildings and improvements					
Water and wastewater fund	565,369	-	-	271,883	837,252
Stormwater utility fund	-	-	-	271,884	271,884
Medley Lakeside Retirement Park fund	292,731	-	-	-	292,731
Police gun range fund	162,470	13,750	-	-	176,220
	<u>1,020,570</u>	<u>13,750</u>	<u>-</u>	<u>543,767</u>	<u>1,578,087</u>
Transportation equipment					
Water and wastewater fund	410,463	20,000	(76,783)	-	353,680
Stormwater utility fund	424,369	-	-	-	424,369
Medley Lakeside Retirement Park fund	3,634	-	-	-	3,634
	<u>838,466</u>	<u>20,000</u>	<u>(76,783)</u>	<u>-</u>	<u>781,683</u>
Machinery and equipment					
Water and wastewater fund	1,344,609	9,854	(43,714)	-	1,310,749
Stormwater utility fund	720,365	-	(33,251)	182,865	869,979
Medley Lakeside Retirement Park fund	35,334	-	-	-	35,334
Police gun range fund	146,774	51,606	-	-	198,380
	<u>2,247,082</u>	<u>61,460</u>	<u>(76,965)</u>	<u>182,865</u>	<u>2,414,442</u>
Total capital assets being depreciated	<u>26,984,802</u>	<u>29,854</u>	<u>(120,497)</u>	<u>2,131,000</u>	<u>29,025,159</u>
Water and wastewater fund	12,355,259	-	(33,251)	1,729,988	14,051,996
Stormwater utility fund	653,300	-	-	-	653,300
Medley Lakeside Retirement Park fund	309,244	65,356	-	-	374,600
Police gun range fund	<u>40,302,605</u>	<u>95,210</u>	<u>(153,748)</u>	<u>3,860,988</u>	<u>44,105,055</u>
Accumulated depreciation					
Water and wastewater fund	(13,197,076)	(677,589)	107,887	-	(13,766,778)
Stormwater utility fund	(3,868,751)	(376,894)	33,251	-	(4,212,394)
Medley Lakeside Retirement Park fund	(599,448)	(14,696)	-	-	(614,144)
Police gun range fund	(247,397)	(21,742)	-	-	(269,139)
Total accumulated depreciation	<u>(17,912,672)</u>	<u>(1,090,921)</u>	<u>141,138</u>	<u>-</u>	<u>(18,862,455)</u>
Capital assets being depreciated, net	<u>22,389,933</u>	<u>(995,711)</u>	<u>(12,610)</u>	<u>3,860,988</u>	<u>25,242,600</u>
Business-type activities – capital assets, net					
	<u>\$ 30,668,408</u>	<u>\$ 2,810,317</u>	<u>\$ (12,610)</u>	<u>\$ -</u>	<u>\$ 33,466,115</u>

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B. Depreciation Expense

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

Governmental activities	
General government	\$ 1,459,247
Public safety	384,837
Physical environment	65,729
Human services	42,448
Culture and recreation	83,529
	<u>\$ 2,035,790</u>
Business-type activities	
Water and wastewater utility	<u>\$ 677,589</u>
Stormwater utility	<u>\$ 376,894</u>
Medley Lakeside Retirement Park	<u>\$ 14,696</u>
Police gun range	<u>\$ 21,742</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at September 30, 2018:

	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	\$ 709,307	\$ 63,616	\$ 3,200	\$ 776,123	\$ 274,672	\$ 484,386	\$ 21,590	\$ 6,646	\$ 787,294	\$ 1,563,417
Salaries and benefits	341,103	-	-	341,103	39,644	15,947	1,763	6,223	63,577	404,680
Interest	12,000	-	-	12,000	14,000	-	-	-	14,000	26,000
DERM Taxes	-	-	-	-	385,347	-	-	-	385,347	385,347
	<u>\$ 1,062,410</u>	<u>\$ 63,616</u>	<u>\$ 3,200</u>	<u>\$ 1,129,226</u>	<u>\$ 713,663</u>	<u>\$ 500,333</u>	<u>\$ 23,353</u>	<u>\$ 12,869</u>	<u>\$ 1,250,218</u>	<u>\$ 2,379,444</u>

7. 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, 2018, was 5.4000 mills (\$5.4000 per \$1,000 of taxable assessed valuation). The Town levied a millage rate of 6.3000 mills for fiscal year 2019.

8. 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, 2018.
- **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, 2018.

Actuarial valuations are performed annually for the General Employees' Pension Plan and 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	111	36	147
Retirees and beneficiaries currently receiving benefits	35	23	58
Terminated plan members entitled to but not yet receiving benefits	12	2	14
	<u>158</u>	<u>61</u>	<u>219</u>

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(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; 8 years of credited service and 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.

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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, 2018	October 1, 2018
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of pay, closed	Level percentage of pay, closed
Amortization period	20 years	28 years
Actuarial asset valuation method	Market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period	Four year smooth
Actuarial assumptions:		
Mortality rate	RP-2000 maturities table	RP-2000 maturities table with no projection
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, 2018, are as follows:

	General Employees’ Pension Plan	Police Officers’ Retirement Plan
Total pension liability	\$ 23,942,631	\$ 27,031,597
Less: Plan fiduciary net position	<u>(21,681,472)</u>	<u>(27,381,317)</u>
Net pension liability (asset)	<u>\$ 2,261,159</u>	<u>\$ (349,720)</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	<u>90.56%</u>	<u>101.29%</u>

The total pension liability was determined by actuarial valuations as of October 1, 2018, using the actuarial assumptions as described in Note 8.A.(4) and applied to all prior periods included in the measurement.

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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, 2018 (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	N/A	N/A	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 (Asset)	Discount Rate	Net Pension Liability (Asset)
1% decrease	5.50%	\$ 5,189,254	6.50%	\$ 2,740,476
Current discount rate	6.50%	\$ 2,261,159	7.50%	\$ (349,720)
1% increase	7.50%	\$ (179,676)	8.50%	\$ (2,937,740)

For the year ended September 30, 2018, the annual money-weighted rate of return on each pension plan investments, net of pension plan investment expense, was as follows:

	General Employees' Pension Plan	Police Officers' Retirement Plan
Annual money-weighted rate of return	9.03%	8.26%

Town of Medley, Florida
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(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:

	General Employees' Pension Plan			Police Officers' Retirement Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at September 30, 2017	\$ 22,170,598	\$ 19,815,441	\$ 2,355,157	\$ 25,771,614	\$ 25,211,787	\$ 559,827
Changes in the year						
Service cost	579,607	-	579,607	667,394	-	667,394
Interest	1,509,225	-	1,509,225	1,947,214	-	1,947,214
Differences between actual and expected	(328,364)	-	(328,364)	(226,019)	-	(226,019)
Changes in assumption	-	-	-	-	-	-
Changes in benefits	925,718	-	925,718	176,287	-	176,287
Contributions – employer	-	1,000,000	(1,000,000)	-	1,000,000	(1,000,000)
Contributions – State	-	-	-	-	262,555	(262,555)
Contributions – employee	-	-	-	-	151,915	(151,915)
Projected earnings on investments	-	1,290,320	(1,290,320)	-	1,893,780	(1,893,780)
Differences between projected and actual earnings	-	510,195	(510,195)	-	198,523	(198,523)
Benefit payments	(914,153)	(914,153)	-	(1,304,893)	(1,304,893)	-
Administrative expenses	-	(20,331)	20,331	-	(32,350)	32,350
Net change	<u>1,772,033</u>	<u>1,866,031</u>	<u>(93,998)</u>	<u>1,259,983</u>	<u>2,169,530</u>	<u>(909,547)</u>
Balance at September 30, 2018	\$ 23,942,631	\$ 21,681,472	\$ 2,261,159	\$ 27,031,597	\$ 27,381,317	\$ (349,720)

(8) Pension Expense

For the year ended September 30, 2018, the Sponsor will recognize pension expense of \$1,655,059 and \$585,203 for the general employees' and police officers' pension plans, respectively.

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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	\$ 579,607	\$ 667,394
Interest on total pension liability	1,509,225	1,947,214
Employee paid contribution	-	(151,915)
Plan amendment	925,718	176,287
Projected earnings on investments	(1,290,320)	(1,893,780)
Administrative expenses	20,331	32,350
Recognition of deferred inflows	(89,502)	(192,347)
Total pension expense	\$ 1,655,059	\$ 585,203

(9) Deferred Inflows and Outflows

On September 30, 2018, 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	\$ 518,516	\$ (918,730)	\$ 89,155	\$ (572,652)	\$ 607,671	\$ (1,491,382)
Changes in assumptions	558,024	-	398,848	-	956,872	-
Net difference between projected and actual earnings on pension plan investments	250,405	(1,296,674)	300,116	(1,143,107)	550,521	(2,439,781)
	<u>\$ 1,326,945</u>	<u>\$ (2,215,404)</u>	<u>\$ 788,119</u>	<u>\$ (1,715,759)</u>	<u>\$ 2,115,064</u>	<u>\$ (3,931,163)</u>

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

Year Ending September 30,	General Employees' Pension Plan	Police Officers' Retirement Plan
2019	\$ (89,502)	\$ (124,286)
2020	(343,497)	(424,400)
2021	(407,375)	(347,502)
2022	(157,395)	(11,613)
2023	56,966	(19,839)
Thereafter	52,344	-
	<u>\$ (888,459)</u>	<u>\$ (927,640)</u>

(10) Calculation of Retirement Benefits

Amount of Retirement Benefit

(a) General Employees' Pension Plan

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

General Employees – Union & Non-Union

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

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

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

Mayor

The normal retirement benefit earned 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 earned 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.

<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 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.

DROP Program

On June 5, 2017, the General Employees Retirement Plan and Police Officers' Retirement Plan adopted a Deferred Retirement Option Program ("DROP") for participants who are eligible to receive normal retirement. Eligible members may participate by applying to the Board of each plan.

Upon a member's election to participate in the DROP, that member shall cease to be a member of his or her respective Plan and shall be precluded from receiving any additional benefits under their respective Plan; accordingly, that member shall be considered retired. The maximum duration of DROP participation shall not exceed three years and participation shall end if the participant resigns, dies, becomes disabled or is terminated from employment for any reason prior to completion of said three years. A participant who has entered DROP shall be required to terminate employment, at the latest, upon completion of the maximum DROP participation period as specified.

A participant may participate in the DROP only once and thereafter such participant shall not again have the right to be a contributing member of the retirement system. A participant who enters DROP shall be considered retired for all purposes under the Plans except that the participant may continue to work for the Town of Medley until the end of his or her DROP participation period.

Monthly retirement benefits that would have been payable had the member retired and elected to receive monthly pension payments shall be credited to the member's DROP account for the duration of his or her DROP participation. DROP participants shall not have any access to the funds in their respective DROP account until such time as they have terminated service.

DROP account assets shall not be segregated from Plan assets and shall remain commingled for investment purposes but shall be accounted for separately on a bookkeeping basis only. DROP assets will earn the same return as earned by the remainder of the Plan assets.

Upon termination of employment, participants in the DROP have the option of receiving the balance of their account either in a lump sum distribution or in any other form of payment selected by the participant conforming to applicable laws.

B. Money Purchase Plan

All of the Town's full-time employees, except police officers, 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.

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, 2018, there were 72 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 \$191,328 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

The Town implemented GASB 75 effective for the fiscal year ended September 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or “OPEB”). This Statement replaces the requirements of Statements 45 and 57.

(1) Plan Description

The Town provides single employer 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 a least 62 years old. The Town pays the entire premium for these eligible employees and spouses and coverage expires upon attainment of age 65.

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members, or beneficiaries currently receiving benefits	25
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	101
	126

(2) Funding Policy

For the OPEB Plan, contribution requirements of the Town are established and may be amended through action of the Town Council. Currently the OPEB’s benefits are unfunded, and as such, the Town recorded \$547,890 in OPEB benefits. The required contributions are based on a pay-as-you-go financing requirement, and therefore, ultimate subsidies are provided over time, and financed directly by the general assets of the Town, which are invested in accordance with the Town’s investment policy. The interest rate used to calculate the present values and costs of OPEB must be the long-range expected return on those investments. The Town selected an interest rate of 4.18% for this purpose.

(3) OPEB Liability

The Town's total OPEB liability of \$12,776,373 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of September 30, 2018:

Valuation date	October 1, 2016
Actuarial cost method	Entry Age
Amortization method	Level percentage of pay, closed
Amortization period	30 years
Actuarial asset valuation method	Fair market value
Actuarial assumptions:	
Mortality rate	RP-2000 mortality table with no projection
Inflation	3.00%
Rate of growth in real income	3.00%
Discount rate	4.18%
Excess medical cost growth	8.50%
Healthcare trend rate	8.75%

Changes in the Total OPEB Liability

Balance at September 30, 2017, as restated (Note 2)	\$ 12,823,713
Changes for the year:	
Service cost	650,769
Interest	480,589
Changes of assumptions	(630,808)
Benefit payments	(547,890)
Net changes	<u>(47,340)</u>
Balance at September 30, 2018	<u>\$ 12,776,373</u>

The discount rate used to determine the liabilities under GASB 75 depends upon the Town's funding policy. The discount rate for governments that do not prefund benefits is based on 20-year general obligation bond (GO bond) rates.

The discount rate assumption for disclosure purposes for fiscal year 2018 is 4.18%, the 20-year GO bond index as of 10/1/18. The rate at the beginning of the year was 3.64%, the 20-year GO bond index as of 10/1/17.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.18%) or 1% higher (5.18%) than the current discount rate:

	<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease	3.18%	\$ 13,976,776
Current discount rate	4.18%	\$ 12,776,373
1% increase	5.18%	\$ 11,708,210

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (3.00%-7.75%) or 1% higher (5.00%-9.75%):

	<u>Healthcare Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease	3.00%-7.75%	\$ 11,314,713
Current discount rate	4.00%-8.75%	\$ 12,776,373
1% increase	5.00%-9.75%	\$ 14,500,534

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the Town recognized OPEB expense of \$1,063,768. At September 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 560,718

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

Year Ending September 30,	
2019	\$ (70,090)
2020	(70,090)
2021	(70,090)
2022	(70,090)
2023	(70,090)
Thereafter	(210,268)
	<u>\$ (560,718)</u>

9. 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, 2018, the Town received \$196,664 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, 2018, the Town received \$192,978 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 years 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):

	Minimum Lease Payments	Estimated Contingent Rentals	Estimated Total Amount
Year Ending September 30,			
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	60,000	83,516	143,516
2024 – 2028	300,000	484,805	784,805
2029	30,000	55,683	85,683
	<u>\$ 630,000</u>	<u>\$ 917,469</u>	<u>\$ 1,547,469</u>

Total fiscal 2018 rental expenditures under the ground lease were \$126,208 including \$66,208 of contingent rentals.

Total rents under all operating leases, including short-term, month-to-month rentals, were \$138,336 for the year ended September 30, 2018.

Town of Medley, Florida
Notes to Financial Statements
September 30, 2018

10. LONG-TERM OBLIGATIONS

A. Governmental Fund Type Long-Term Obligations

Changes in governmental fund type long-term obligations for the year ended September 30, 2018, are as follows:

	Governmental Activities			Balance September 30, 2018
	Balance October 1, 2017	Additions	Reductions	
Notes payable	\$ 6,433,605	\$ -	\$ 739,136	\$ 5,694,469
Compensated absences	974,943	1,258,225	1,286,098	947,070
	<u>\$ 7,408,548</u>	<u>\$ 1,258,225</u>	<u>\$ 2,025,234</u>	<u>\$ 6,641,539</u>

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

Fiscal Year	Governmental Fund Type		
	Principal	Interest	Total Debt Service
2019	\$ 752,804	\$ 116,622	\$ 869,426
2020	766,788	99,804	866,592
2021	750,238	82,884	833,122
2022	764,374	65,914	830,288
2023	778,843	48,610	827,453
2024 – 2028	1,556,922	79,282	1,636,204
2029 – 2032	324,500	6,890	331,390
	<u>\$ 5,694,469</u>	<u>\$ 500,006</u>	<u>\$ 6,194,475</u>

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

Description of governmental fund type long-term obligations:

Note payable – TD Bank Capital Improvement Refunding Revenue Note Series 2010A, principal payments of \$12,500 plus variable interest of 69% of one-month LIBOR (3.22%) at September 30, 2018, subject to adjustment monthly through December 2030, collateralized by non-ad valorem revenues of the Town.	\$ 1,824,500
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.	3,809,738
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.	60,231
	<u>\$ 5,694,469</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2018

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, 2018, are as follows:

	Balance October 1, 2017	Additions	Reductions	Balance, September 30, 2018
Notes payable	\$ 3,697,505	\$ -	\$ 244,042	\$ 3,453,463
Compensated absences	236,611	260,837	295,045	202,403
	<u>\$ 3,934,116</u>	<u>\$ 260,837</u>	<u>\$ 539,087</u>	<u>\$ 3,655,866</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.	\$ 472,884
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.	582,262
Revolving Fund Loan – Florida Department of Environmental Protection, interest of annum, payable in semi-annual principal and interest payments of \$90,019 on March 15 and September 15 through March 15, 2034, uncollateralized.	<u>2,398,317</u>
	<u>\$ 3,453,463</u>

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

Fiscal Year	Proprietary Fund Type		Total Debt Service
	Principal	Interest	
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	273,338	49,187	322,525
2024 – 2028	1,129,495	138,923	1,268,418
2029 – 2033	928,081	56,761	984,842
2034	89,149	870	90,019
	<u>\$ 3,453,463</u>	<u>\$ 502,439</u>	<u>\$ 3,955,902</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 \$29,791 and \$48,691 in the water and wastewater and stormwater funds, respectively, for the year ended September 30, 2018. There was no capitalized interest in the water and wastewater or stormwater funds.

11. 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, 2018.

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 12(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.

12. 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 53 projects estimated to cost \$21 million in 2018 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.

Town of Medley, Florida
Notes to Financial Statements
September 30, 2018

13. 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:

Interfund Transactions and Balances

Individual fund interfund receivable and payable balances at September 30, 2018, were:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General fund	\$ 302,005	\$ (1,468,989)
Law enforcement trust fund	-	(1,679)
Town of Medley Foundation, Inc.	-	(15,383)
Proprietary funds		
Water and wastewater fund	871,135	(149,367)
Stormwater utility fund	815,764	(307,287)
Medley Lakeside Retirement Park fund	-	(5,924)
Police gun range fund	2,289	(42,564)
	<u>\$ 1,991,193</u>	<u>\$ (1,991,193)</u>

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

Interfund transfers for the year ended September 30, 2018, were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Medley Lakeside Retirement Park Fund	\$ -	\$ 228,838
Medley Lakeside Retirement Park Fund		
General fund	228,838	-
	<u>\$ 228,838</u>	<u>\$ 228,838</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.

Town of Medley, Florida
Notes to Financial Statements
September 30, 2018

14. FUND BALANCES

The Town's fund balances are as follows at September 30, 2018:

	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total</u>
Nonspendable				
Prepays	\$ 64,865	\$ -	\$ -	\$ 64,865
Total nonspendable	<u>64,865</u>	<u>-</u>	<u>-</u>	<u>64,865</u>
Restricted				
Law enforcement	-	1,108,675	-	1,108,675
Total restricted	<u>-</u>	<u>1,108,675</u>	<u>-</u>	<u>1,108,675</u>
Committed				
Foundation activities	-	-	76,161	76,161
Total committed	<u>-</u>	<u>-</u>	<u>76,161</u>	<u>76,161</u>
Assigned				
Pension	2,000,000	-	-	2,000,000
Working capital	3,000,000	-	-	3,000,000
Retiree health insurance	1,300,000	-	-	1,300,000
Debt service	900,000	-	-	900,000
Total assigned	<u>7,200,000</u>	<u>-</u>	<u>-</u>	<u>7,200,000</u>
Unassigned	<u>4,207,025</u>	<u>-</u>	<u>-</u>	<u>4,207,025</u>
Total fund balances	<u>\$ 11,471,890</u>	<u>\$ 1,108,675</u>	<u>\$ 76,161</u>	<u>\$ 12,656,726</u>

15. SUBSEQUENT EVENTS

On March 22, 2019, the Town entered into a loan agreement with a bank to finance the cost of road improvements, road construction, flood mitigation improvements and to reimburse expenditures previously incurred in connection with road construction projects. The principal balance of the loan is not to exceed \$7,500,000, with a fixed interest rate of 2.68%, annual principal payments commencing September 1, 2020, and interest payable semi-annually on each September 1 and March 1, commencing September 1, 2019. The note matures on September 1, 2027.



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, 2018

	Original and Final Budget (Unaudited)	Actual	Variance (Unaudited)
Revenues			
Ad valorem taxes	\$ 10,339,233	\$ 10,845,954	\$ 506,721
Utility taxes	1,392,032	1,464,503	72,471
Other general taxes	824,716	725,101	(99,615)
Intergovernmental	885,205	316,019	(569,186)
Permits, fees, and licenses	4,348,763	4,719,854	371,091
Fines and forfeitures	1,000,000	598,260	(401,740)
User charges	250,000	340,335	90,335
Miscellaneous	110,000	262,050	152,050
Total revenues	<u>19,149,949</u>	<u>19,272,076</u>	<u>122,127</u>
Expenditures			
Current operating			
General government	4,690,603	5,258,779	568,176
Public safety	7,842,507	7,779,833	(62,674)
Physical environment	1,220,554	1,155,206	(65,348)
Human services	1,511,329	1,576,902	65,573
Culture and recreation	757,317	855,935	98,618
Capital outlay	5,582,623	2,374,852	(3,207,771)
Debt service	881,550	892,397	10,847
Total expenditures	<u>22,486,483</u>	<u>19,893,904</u>	<u>(2,592,579)</u>
Deficiency of revenues over expenditures	<u>(3,336,534)</u>	<u>(621,828)</u>	<u>2,714,706</u>
Other financing uses			
Operating transfers – out	<u>(188,000)</u>	<u>(228,838)</u>	<u>(40,838)</u>
Total other financing uses	<u>(188,000)</u>	<u>(228,838)</u>	<u>(40,838)</u>
Deficiency of revenues over expenditures and other financing uses	(3,524,534)	(850,666)	2,673,868
Fund balances			
Beginning of year	<u>15,992,897</u>	<u>12,322,556</u>	<u>(3,670,341)</u>
End of year	<u>\$ 12,468,363</u>	<u>\$ 11,471,890</u>	<u>\$ (996,473)</u>

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedules of Funding Progress
Year Ended September 30, 2018

Schedules of Funding Progress

Additional information will be provided annually until ten years of data is presented

	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, 2018	\$ 23,942,631	\$ 21,681,472	\$ 2,261,159	90.56%	\$ 3,194,438	70.78%
September 30, 2017	22,170,598	19,815,441	2,355,157	89.38%	3,158,747	74.56%
September 30, 2016	20,149,876	17,300,687	2,849,189	85.86%	2,845,353	100.13%
September 30, 2015	20,063,307	15,759,710	4,303,597	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 (Asset) ("NPL")/("NPA")	PFP as % of TPL	Covered Payroll	NPL/NPA as % of Covered Payroll
Police Officers' Retirement Fund						
September 30, 2018	\$ 27,031,597	\$ 27,381,317	\$ (349,720)	101.29%	\$ 3,038,288	-11.51%
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%
	Total OPEB Liability ("TOPEBL")	Plan Fiduciary Position ("PFP")	Net OPEB Liability ("NOPEBL")	PFP as % of TOPEBL	Covered Payroll	NOPEBL as % of Covered Payroll
Other Post Employment Benefits						
September 30, 2018	\$ 12,776,373	\$ -	\$ 12,776,373	-	\$ 5,998,463	212.99%
September 30, 2017	12,823,713	-	12,823,713	-	5,823,750	220.20%

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedules of Employer Contributions
Year Ended September 30, 2018

Schedules of Employer Contributions

Additional information will be provided annually until ten years of data is presented

	<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, 2018	\$ 1,000,000	\$ 900,745	111.02%	\$ 3,194,438	31.30%
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, 2018	\$ 1,262,555	\$ 929,716	135.80%	\$ 3,038,288	41.55%
September 30, 2017	1,011,680	946,798	106.85%	3,044,367	33.23%
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>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>
Other Post Employment Benefits					
September 30, 2018	\$ 547,890	\$ 1,063,768	51.50%	\$ 5,998,463	9.13%
September 30, 2017	520,107	1,251,373	41.56%	5,823,750	8.93%

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, 2018

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

Additional information will be provided annually until ten years of data is presented

	<u>2018</u>	<u>2017</u>	<u>September 30,</u> <u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 579,607	\$ 487,726	\$ 534,369	\$ 449,137
Interest on total pension liability	1,509,225	1,313,621	1,254,523	1,247,292
Differences between expected and actual experience	(328,364)	331,458	(1,077,646)	816,952
Changes in assumption	-	744,029	-	-
Changes in benefits	925,718	-	185,340	-
Benefit payments, including refunds of employee contributions	<u>(914,153)</u>	<u>(856,112)</u>	<u>(810,015)</u>	<u>(746,172)</u>
Net change in total pension liability	1,772,033	2,020,722	86,571	1,767,209
Total pension liability, beginning	<u>22,170,598</u>	<u>20,149,876</u>	<u>20,063,305</u>	<u>18,296,096</u>
Total pension liability, ending (a)	<u>\$ 23,942,631</u>	<u>\$ 22,170,598</u>	<u>\$ 20,149,876</u>	<u>\$ 20,063,305</u>
Plan fiduciary net position				
Contributions – employer	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 900,000
Contributions – employee	-	-	-	-
Net investment income	1,800,515	2,379,107	1,376,386	(217,632)
Benefit payments, including refunds of employee contributions	(914,153)	(856,112)	(810,015)	(746,172)
Administrative expense	<u>(20,331)</u>	<u>(8,241)</u>	<u>(25,394)</u>	<u>(22,481)</u>
Net change in plan fiduciary net position	1,866,031	2,514,754	1,540,977	(86,285)
Plan fiduciary net position, beginning	<u>19,815,441</u>	<u>17,300,687</u>	<u>15,759,710</u>	<u>15,845,995</u>
Plan fiduciary net position, ending (b)	<u>\$ 21,681,472</u>	<u>\$ 19,815,441</u>	<u>\$ 17,300,687</u>	<u>\$ 15,759,710</u>
Net pension liability, ending (a)-(b)	<u>\$ 2,261,159</u>	<u>\$ 2,355,157</u>	<u>\$ 2,849,189</u>	<u>\$ 4,303,595</u>
Plan fiduciary net position as a percentage of the total pension liability	90.56%	89.38%	85.86%	78.55%
Covered employee payroll	\$ 3,194,438	\$ 3,158,747	\$ 2,845,353	\$ 2,594,629
Net pension liability as a percentage of covered employee payroll	70.78%	74.56%	100.13%	165.87%

Notes to Schedule:

Changes of benefit terms:

For measurement date 9/30/18, amounts reported as changes of benefit terms resulted from Ordinances C-1598 and C-1599, the following changes were implemented:

- 1) Increase the benefit rate for benefits accrued as the Mayor from \$5,500 to \$8,500 for all mayor service. Applies to Mayors actively serving on and after October 1, 2017.
- 2) Increase the benefit rate for benefits accrued as a Council person from \$2,500 to \$3,800 for all council service. Applies to Council persons actively serving on or after October 1, 2017.

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, 2018

- 3) Change benefits for Part Time Employees to the following structure. Benefit amounts at other combinations of age and Periods of Service are eliminated.

<u>Age</u>	<u>Periods of Service</u>	<u>Benefit</u>
65	20	\$270
65	25	\$290
70	15	\$250
70	20	\$310
70	25	\$330

Changes of assumptions:

For measurement date 9/30/17, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from 2008+ IRS Combined Static Table to those used in the July 1, 2016 FRS valuation 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, 2018

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

Additional information will be provided annually until ten years of data is presented

	2018	2017	September 30, 2016	2015
Total pension liability				
Service cost	\$ 667,394	\$ 658,122	\$ 618,350	\$ 610,822
Interest on total pension liability	1,947,214	1,828,417	1,704,592	1,638,723
Differences between expected and actual experience	(226,019)	124,820	(362,464)	(413,419)
Changes in assumption	-	-	697,984	-
Changes in benefits	176,287	-	-	-
Benefit payments, including refunds of employee contributions	(1,304,893)	(1,121,040)	(973,409)	(957,396)
Net change in total pension liability	1,259,983	1,490,319	1,685,053	878,730
Total pension liability, beginning	25,771,614	24,281,295	22,596,242	21,717,512
Total pension liability, ending (a)	<u>\$ 27,031,597</u>	<u>\$ 25,771,614</u>	<u>\$ 24,281,295</u>	<u>\$ 22,596,242</u>
Plan fiduciary net position				
Contributions – employer	\$ 1,000,000	\$ 1,011,680	\$ 1,050,000	\$ 13,000,027
Contributions – state	262,555	-	110,857	120,321
Contributions – employee	151,915	152,218	147,835	141,670
Net investment income	2,092,303	3,045,917	1,892,371	(50,344)
Benefit payments, including refunds of employee contributions	(1,304,893)	(1,121,040)	(973,409)	(957,396)
Administrative expense	(32,350)	(24,940)	(34,180)	(35,551)
Net change in plan fiduciary net position	2,169,530	3,063,835	2,193,474	518,727
Plan fiduciary net position, beginning	25,211,787	22,147,952	19,954,478	19,435,751
Plan fiduciary net position, ending (b)	<u>\$ 27,381,317</u>	<u>\$ 25,211,787</u>	<u>\$ 22,147,952</u>	<u>\$ 19,954,478</u>
Net pension (asset)/liability, ending (a)-(b)	<u>\$ (349,720)</u>	<u>\$ 559,827</u>	<u>\$ 2,133,343</u>	<u>\$ 2,641,764</u>
Plan fiduciary net position as a percentage of the total pension (asset)/liability	101.29%	97.83%	91.21%	88.31%
Covered employee payroll	\$ 3,038,288	\$ 3,044,367	\$ 2,956,688	\$ 2,885,418
Net pension (asset)/liability as a percentage of covered employee payroll	-11.51%	18.39%	72.15%	91.56%

Notes to schedule:

Changes of benefit terms:

For measurement date 9/30/18, amounts reported as changes of benefit terms resulted from Ordinance C-426, adopted on May 7, 2018 and provided for an Early Retirement Incentive Program.

Changes of assumptions:

For measurement date 9/30/16, amounts reported as changes of assumptions resulted from the following changes:

- 1) The assumed rates of mortality were changed to match those used by the FRS for special risk employees in their July 1, 2015 valuation report.
- 2) The withdrawal rates were increased 10%, based on results of the September 1, 2016 experience study.

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedule of Change in Total OPEB Liability and Related Ratios
Year Ended September 30, 2018

Schedule of Change in Total OPEB Liability and Related Ratios

Additional information will be provided annually until ten years of data is presented

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 650,769
Interest	480,589
Differences between expected and actual experience	-
Changes in assumption	(630,808)
Changes in benefits	-
Benefit payments	<u>(547,890)</u>
Net change in total OPEB liability	(47,340)
Total OPEB liability, beginning	<u>12,823,713</u>
Total OPEB liability, ending	<u><u>\$ 12,776,373</u></u>
Covered employee payroll	\$ 5,998,463
Total OPEB liability as a percentage of covered employee payroll	212.99%

Notes to Schedule:

No assets are being accumulated in a trust to pay for plan benefits.

Changes of assumptions:

The following discount rates are those used for each measurement date:

FY 2018	4.18%
FY 2017	3.64%

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedule of Contributions – General Employees’ Pension Fund
Year Ended September 30, 2018

Schedule of Contributions – General Employees’ Pension Fund

Additional information will be provided annually until ten years of data is presented

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 900,745	\$ 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>1,000,000</u>	<u>900,000</u>
Contribution deficiency (excess)	<u>\$ (99,255)</u>	<u>\$ (19,468)</u>	<u>\$ (14,892)</u>	<u>\$ 8,902</u>
Covered employee payroll	\$ 3,194,438	\$ 3,158,747	\$ 2,845,353	\$ 2,594,629
Contributions as a percentage of covered employee payroll	31.30%	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, 2018

Schedule of Contributions – Police Officers’ Retirement Fund

Additional information will be provided annually until ten years of data is presented

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 929,716	\$ 946,798	\$ 1,014,144	\$ 1,076,688
Contributions in relation to the actuarially determined contributions	<u>1,262,555</u>	<u>1,011,680</u>	<u>1,160,857</u>	<u>1,420,348</u>
Contribution excess	<u>\$ (332,839)</u>	<u>\$ (64,882)</u>	<u>\$ (146,713)</u>	<u>\$ (343,660)</u>
Covered employee payroll	\$ 3,038,288	\$ 3,044,367	\$ 2,956,688	\$ 2,885,418
Contributions as a percentage of covered employee payroll	41.56%	33.23%	39.26%	49.22%

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Notes to Required Supplementary Information
Year Ended September 30, 2018

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, 2018	October 1, 2018	October 1, 2016
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of pay, closed	Level percentage of pay, closed	Level percentage of pay, closed
Amortization period	20 years	28 years	30 years
Actuarial asset valuation method	Market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period	Four year smooth	Fair market value
Actuarial assumptions:			
Investment rate of return	6.50%	7.50%	4.18%
Projected salary increases	3.50%	4.62% – 6.68%	3.00%
Inflation	2.50%	2.50%	3.00%
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, 2018**

Money Weighted Rate of Return – Pension Funds

Additional information will be provided annually until ten years of data is presented

	General Employees' Pension Fund	Police Officers' Retirement Fund
September 30, 2018	9.03%	8.26%
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, 2018

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 355	\$ 241,929	\$ 242,284
Receivables, net	-	15,764	15,764
Due from other funds	-	2,289	2,289
Prepaid expenses	10,336	-	10,336
Total current assets	<u>10,691</u>	<u>259,982</u>	<u>270,673</u>
Capital assets, net	<u>112,467</u>	<u>113,812</u>	<u>226,279</u>
Total assets	<u>123,158</u>	<u>373,794</u>	<u>496,952</u>
Deferred Outflows			
Related to pensions	<u>8,821</u>	<u>17,802</u>	<u>26,623</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	23,353	12,869	36,222
Due to other funds	5,924	42,564	48,488
Total current liabilities	<u>29,277</u>	<u>55,433</u>	<u>84,710</u>
Long-term obligations			
Compensated absences	5,200	18,313	23,513
Other post employment benefits	32,011	228,447	260,458
Net pension liability	15,032	30,334	45,366
Total long-term liabilities	<u>52,243</u>	<u>277,094</u>	<u>329,337</u>
Total liabilities	<u>81,520</u>	<u>332,527</u>	<u>414,047</u>
Deferred Inflows			
Related to other post employment benefits	3,729	7,522	11,251
Related to pensions	14,728	29,718	44,446
Total deferred inflows	<u>18,457</u>	<u>37,240</u>	<u>55,697</u>
Net Position			
Investment in capital assets, net of related debt	112,467	113,812	226,279
Unrestricted	<u>(80,465)</u>	<u>(91,983)</u>	<u>(172,448)</u>
Total net position	<u>\$ 32,002</u>	<u>\$ 21,829</u>	<u>\$ 53,831</u>

Town of Medley, Florida
Other Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2018

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Operating revenues			
User charges	\$ 192,978	\$ 196,664	\$ 389,642
Miscellaneous, other	8,148	1,255	9,403
Total operating revenues	<u>201,126</u>	<u>197,919</u>	<u>399,045</u>
Operating expenses			
Salaries, wages, and employee benefits	59,721	212,603	272,324
Contractual services, materials, and supplies	315,615	82,094	397,709
Depreciation and amortization	14,696	21,742	36,438
Total operating expenses	<u>390,032</u>	<u>316,439</u>	<u>706,471</u>
Operating loss	<u>(188,906)</u>	<u>(118,520)</u>	<u>(307,426)</u>
Nonoperating revenues			
Insurance settlement proceeds	-	200,436	200,436
Interest income	-	759	759
Total nonoperating revenues	<u>-</u>	<u>201,195</u>	<u>201,195</u>
Income (loss) before transfers	<u>(188,906)</u>	<u>82,675</u>	<u>(106,231)</u>
Transfers			
Transfers in	228,838	-	228,838
Total transfers	<u>228,838</u>	<u>-</u>	<u>228,838</u>
Net income	39,932	82,675	122,607
Net position			
Beginning of year, as restated	<u>(7,930)</u>	<u>(60,846)</u>	<u>(68,776)</u>
End of year	<u>\$ 32,002</u>	<u>\$ 21,829</u>	<u>\$ 53,831</u>

Town of Medley, Florida
Other Proprietary Funds
Combining Statement of Cash Flows
Year Ended September 30, 2018

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Cash flows from operating activities			
Receipts from customers and users	\$ 192,978	\$ 197,235	\$ 390,213
Payments to suppliers	(312,279)	(76,185)	(388,464)
Payments to employees	(50,013)	(197,853)	(247,866)
Other receipts	8,148	1,255	9,403
Net cash used in operating activities	<u>(161,166)</u>	<u>(75,548)</u>	<u>(236,714)</u>
Cash flows from noncapital financing activities			
Transfers from other funds	228,838	-	228,838
Proceeds from insurance claim	-	200,436	200,436
Change in due from/to other funds	5,924	8,261	14,185
Net cash provided by noncapital financing activities	<u>234,762</u>	<u>208,697</u>	<u>443,459</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(73,311)	(73,707)	(147,018)
Net cash used in capital and related financing activities	<u>(73,311)</u>	<u>(73,707)</u>	<u>(147,018)</u>
Cash flows from investing activities			
Interest income received	-	759	759
Net cash provided by investing activities	<u>-</u>	<u>759</u>	<u>759</u>
Net increase in cash and cash equivalents	285	60,201	60,486
Cash and Cash Equivalents	<u>70</u>	<u>181,728</u>	<u>181,798</u>
Beginning of year			
End of year	<u>\$ 355</u>	<u>\$ 241,929</u>	<u>\$ 242,284</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (188,906)	\$ (118,520)	\$ (307,426)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	14,696	21,742	36,438
Changes in:			
Receivables	-	571	571
Deferred outflows of resources	1,673	8,173	9,846
Accounts payable and accrued liabilities	3,336	5,909	9,245
Compensated absences	(483)	667	184
Deferred inflows of resources	7,172	9,306	16,478
Other post employment benefits	(315)	(635)	(950)
Net pension liability	1,661	(2,761)	(1,100)
Net cash used in operating activities	<u>\$ (161,166)</u>	<u>\$ (75,548)</u>	<u>\$ (236,714)</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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 20, 2019.

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 2018-01 and 2018-02).

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 2018-03 through 2018-05).

Compliance and Other Matters

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

Town's Response to Findings

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

Purpose of This Report

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



May 20, 2019

Town of Medley, Florida
Schedule of Findings and Responses
Year Ended September 30, 2018

MATERIAL WEAKNESSES

2018-01 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 implement a system of review and approval for nonstandard journal entries.

Views of responsible officials and planned corrective actions: Manual journal entries are only prepared by either the Finance or Assistant Finance Director. A new policy was implemented whereby all manual journal entries must be approved before posting by the person not preparing the entry.

Interim financial reports are distributed to the Council at least quarterly although not always presented at a public hearing. The Finance Department will start presenting these interim reports to the Council at a public hearing on a more consistent basis. In addition, the Finance Department will soon be implementing a web-based platform which will give the public a clearer picture of how the government finances operate.

2018-02 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.

Town of Medley, Florida
Schedule of Findings and Responses
Year Ended September 30, 2018

Views of responsible officials and planned corrective actions: Conveyance of pump stations and acquisition of right of ways are long-term programs that 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 three years the Town has expended \$6 million in acquisition costs.

SIGNIFICANT DEFICIENCIES

2018-03 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. There were multiple instances where certain purchases made with the Town's credit cards could not be supported by documentary evidence, such as an invoice or a receipt.
3. 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. Additionally, purchases could potentially be made using the Town's credit cards that are not for reasonable business purposes of the Town.

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.

Town of Medley, Florida
Schedule of Findings and Responses
Year Ended September 30, 2018

2018-04 Cash Disbursements

Criteria: Internal controls over cash disbursements require that invoices be 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.

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.

2018-05 Grant Reimbursements

Criteria: Internal controls over federal and state grant compliance require the Town to submit requests for reimbursements of expenditures reimbursable by federal and state grants to be made timely.

Condition: During our review of the Town's grant revenues, we noted a request for reimbursement that was made for activity that was performed in the prior fiscal year and several months after the expenditures were made.

Effect: The Town could potentially record revenues and receivables in the improper period. Additionally, the Town's cash flows could be constrained due to late reimbursements, and grantors could deny reimbursements to the Town due to submitting late requests.

Recommendation: The Town should standardize its procedure for submitting requests for reimbursements from federal and state grants.

Views of responsible officials and planned corrective actions: The Town has reassigned staff so that grant reimbursements are made on a more timely basis. Management is determined to be more vigilant in requesting reimbursement on these grants. Please note that no grant money has been lost due to any delay.

In addition, the majority of these grants are for construction projects. Delays and/or change orders to these projects have also delayed the request for reimbursement.

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	2017-01	Not corrected	Yes – Item 2016-01
Capital Assets	2017-02	Partially corrected	Yes – Item 2016-02
Purchasing Procedures	2017-03	Not corrected	Yes – Item 2016-04
Cash Disbursements	2017-04	Not corrected	No

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

Honorable Mayor and Town Council
Town of Medley, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Medley, Florida (the “Town”) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 20, 2019.

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 May 20, 2019, 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 84.

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

Sections 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, 2018, 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, 2018. 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.



May 20, 2019

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, 2018. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018, 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, 2018.

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.



May 20, 2019