



TOWN OF MEDLEY, FLORIDA
Financial Section, Required Supplementary Information,
Combining Fund Statements, and Supplementary Financial
Reports Compliance Section
September 30, 2019
With Independent Auditor's Report

Town of Medley, Florida
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September 30, 2019

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INDEPENDENT AUDITOR'S 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the defined benefit pension information, and schedules of changes in total other post employment benefits liability and related ratios on pages 3 through 17 and 69 through 80 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 81 through 85 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2020, 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 solely 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.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

June 18, 2020

Town of Medley, Florida

Management's Discussion and Analysis

September 30, 2019

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, 2019.

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$176,777,716 (*net position*). Of this amount, \$15,751,931 (*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 \$5,725,473 or by approximately 3.3%. This is comprised of an increase of \$4,387,376 in governmental activities and an increase of \$1,338,097 in business-type activities.
- The increase in governmental activities was attributable to current year operations. Compared to last year, when there was a decrease in net position of \$16,647, the current year's increase in net position was \$4,387,376. Total revenues increased by \$4,192,981 primarily due to increases in the following revenues sources: ad valorem taxes of \$2,700,495, due to increased assessments and an increase in the millage rate from 5.4000 mills to 6.300 mills, an increase in building permits of \$695,491, and an increase in traffic fines of \$370,105. Total governmental expenses decreased from FY 2018 due to adjustments to the pension expense.
- The increase in business-type activities was attributable to current year operations. Compared to last year, when there was an increase in net position of \$1,151,177, current year's increase in net position was \$1,338,097. Revenues increasing include stormwater user charges and grant revenues. There was also a conveyance of a pump station which increased the net position by \$203,600. Operating expenses increased by \$48,064, 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 \$22,849,603, an increase of \$10,192,877 in comparison with the prior year. The increase is due to debt proceeds of \$7,500,000, an increase in ad valorem taxes and deferrals of capital projects which are being funded by new debt. Of the \$22,849,603, \$21,411,161 is *available for spending* at the government's discretion (*assigned or unassigned fund balance*) of which \$11,000,000 has been assigned for future projects and expenditures consisting of \$2,000,000 for pensions, \$3,000,000 for working capital, \$3,000,000 for operating transfers, \$1,700,000 for debt service, and \$1,300,000 for health insurance for retired employees.
- The Town's total long-term obligations increased by \$7,015,893, the net effect which is comprised of a new \$7,500,000 loan to finance construction projects and principal payments on existing debt, and an increase in net pension liability.
- The total fair value of the Town's unrestricted cash and investments at September 30, 2019, was \$34,771,633, an increase of \$10,971,529 from the prior year.

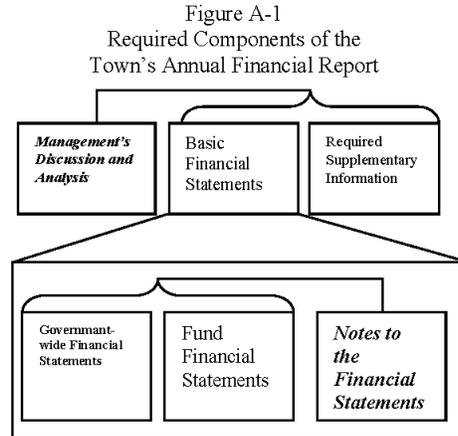
Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019

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 was 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).

Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019

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 18 through 19 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 20 through 23 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.

Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019

The basic proprietary fund financial statements can be found on pages 24 through 28 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 29 and 30 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 31 through 68 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 69 through 80 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 82 through 85 of this report.

**Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The table below summarizes the statements of net position:

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2019	2018	2019	2018	2019	2018		
Current assets	\$ 23,321,235	\$ 12,763,089	\$ 13,315,192	\$ 12,569,443	\$ 36,636,427	\$ 25,332,532	\$ 11,303,895	44.6 %
Noncurrent assets	1,257,940	1,523,690	750,645	619,006	2,008,585	2,142,696	(134,111)	(6.3)
Capital assets, net	<u>141,202,149</u>	<u>140,855,227</u>	<u>34,030,692</u>	<u>33,466,115</u>	<u>175,232,841</u>	<u>174,321,342</u>	<u>911,499</u>	0.5
Total assets	<u>165,781,324</u>	<u>155,142,006</u>	<u>48,096,529</u>	<u>46,654,564</u>	<u>213,877,853</u>	<u>201,796,570</u>	<u>12,081,283</u>	6.0
Deferred outflows	<u>3,521,633</u>	<u>1,722,047</u>	<u>807,324</u>	<u>393,017</u>	<u>4,328,957</u>	<u>2,115,064</u>	<u>2,213,893</u>	104.7
Long-term obligations outstanding	25,601,366	18,497,404	6,749,464	6,837,533	32,350,830	25,334,937	7,015,893	27.7
Other liabilities	<u>1,591,297</u>	<u>1,129,226</u>	<u>2,030,437</u>	<u>1,659,555</u>	<u>3,621,734</u>	<u>2,788,781</u>	<u>832,953</u>	29.9
Total liabilities	<u>27,192,663</u>	<u>19,626,630</u>	<u>8,779,901</u>	<u>8,497,088</u>	<u>35,972,564</u>	<u>28,123,718</u>	<u>7,848,846</u>	27.9
Deferred inflows	<u>4,306,246</u>	<u>3,820,751</u>	<u>1,150,284</u>	<u>914,922</u>	<u>5,456,530</u>	<u>4,735,673</u>	<u>720,857</u>	15.2
Net position								
Investment in capital assets, net of related debt	128,760,483	135,160,758	30,826,860	30,012,652	159,587,343	165,173,410	(5,586,067)	(3.4)
Restricted	1,438,442	1,249,701	-	-	1,438,442	1,249,701	188,741	15.1
Unrestricted	<u>7,605,123</u>	<u>(2,993,787)</u>	<u>8,146,808</u>	<u>7,622,919</u>	<u>15,751,931</u>	<u>4,629,132</u>	<u>11,122,799</u>	240.3
Total net position	<u>\$ 137,804,048</u>	<u>\$ 133,416,672</u>	<u>\$ 38,973,668</u>	<u>\$ 37,635,571</u>	<u>\$ 176,777,716</u>	<u>\$ 171,052,243</u>	<u>\$ 5,725,473</u>	3.3 %

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

There are six basic transactions that will affect the comparability of the statement of net position summary presentation as reflected above:

- 1) **Net results of activities** will impact (increase/decrease) current assets and unrestricted net position.
- 2) **Borrowing for capital** will increase current assets and long term debt.
- 3) **Spending borrowed proceeds** on new capital projects will reduce current assets and increase capital assets. There is a second impact, an increase in investment in capital assets and an increase in related net debt which will not change the net investment in capital assets.
- 4) **Spending of non-burrowed current assets** on new capital will reduce current assets and increase capital assets and will reduce unrestricted net position and will increase net investment in capital assets.
- 5) **Principal payment on debt** will reduce current assets and reduce long-term debt and reduce unrestricted net position and increase net investment in capital assets.

**Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019**

6) **Reduction of capital assets** through depreciation will reduce capital assets and net investment in capital assets.

In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$176,777,716 at September 30, 2019.

The largest portion of the Town's net position, \$159,587,343, or 90%, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$1,438,442, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$15,751,931, 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.

Governmental and business-type activities. Governmental activities increased the Town's net position by \$4,387,376, and business-type activities increased the Town's net position by \$1,338,097. This resulted in an increase in total net position of \$5,725,473.

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,			
	2019	2018	2019	2018	2019	2018		
Revenues								
Program revenues								
Fees, fines, and charges for services	\$ 6,059,115	\$ 4,912,303	\$ 8,287,684	\$ 8,102,072	\$ 14,346,799	\$ 13,014,375	\$ 1,332,424	10.2 %
Operating grants and contributions	-	-	3,959	-	3,959	-	3,959	-
Capital grants and contributions	204,561	95,600	206,930	150,000	411,491	245,600	165,891	67.5
General revenues								
Ad valorem taxes	13,546,449	10,845,954	-	-	13,546,449	10,845,954	2,700,495	24.9
Utility taxes	1,510,150	1,464,503	-	-	1,510,150	1,464,503	45,647	3.1
Franchise fees	1,207,409	1,035,178	-	-	1,207,409	1,035,178	172,231	16.6
Other general taxes	485,936	494,991	-	-	485,936	494,991	(9,055)	(1.8)
Intergovernmental	423,278	482,974	-	-	423,278	482,974	(59,696)	(12.4)
Investment earnings	276,543	171,854	149,024	117,264	425,567	289,118	136,449	47.2
Insurance settlement proceeds	-	-	81,483	200,436	81,483	200,436	(118,953)	(59.3)
Miscellaneous	226,652	168,079	-	-	226,652	168,079	58,573	34.8
Internal activity								
Transfers	(304,514)	(228,838)	304,514	228,838	-	-	-	-
Total revenues and transfers	23,635,579	19,442,598	9,033,594	8,798,610	32,669,173	28,241,208	4,427,965	15.7
Expenses								
General government	7,058,823	6,779,427	-	-	7,058,823	6,779,427	279,396	4.1
Public safety	8,075,969	8,558,400	-	-	8,075,969	8,558,400	(482,431)	(5.6)
Physical environment	1,342,594	1,293,019	-	-	1,342,594	1,293,019	49,575	3.8
Human services	1,550,388	1,665,017	-	-	1,550,388	1,665,017	(114,629)	(6.9)
Culture and recreation	974,211	1,010,121	-	-	974,211	1,010,121	(35,910)	(3.6)
Interest	246,218	153,261	72,893	78,482	319,111	231,743	87,368	37.7
Water and wastewater	-	-	5,230,574	5,278,122	5,230,574	5,278,122	(47,548)	(0.9)
Stormwater utility	-	-	1,630,100	1,584,358	1,630,100	1,584,358	45,742	2.9
Medley Lakeside Retirement Park	-	-	416,471	390,032	416,471	390,032	26,439	6.8
Police gun range	-	-	345,459	316,439	345,459	316,439	29,020	9.2
Total expenses	19,248,203	19,459,245	7,695,497	7,647,433	26,943,700	27,106,678	(162,978)	(0.6)
Increase (decrease) in net position	4,387,376	(16,647)	1,338,097	1,151,177	5,725,473	1,134,530	4,590,943	404.7
Net position, beginning of year	133,416,672	133,433,319	37,635,571	36,484,394	171,052,243	169,917,713	1,134,530	0.7
Net position, end of year	\$ 137,804,048	\$ 133,416,672	\$ 38,973,668	\$ 37,635,571	\$ 176,777,716	\$ 171,052,243	\$ 5,725,473	3.3 %

Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019

Summary of changes in net position. The following information is presented to assist the reader in understanding the different types of normal impacts that can affect revenues:

- 1) Economic condition can reflect a declining, stable or growing environment and has a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- 2) The Town Council has significant authority to set increases or decreases in Town's rates (taxes, stormwater, permitting, user fees, etc.).
- 3) Changing patterns in intergovernmental and grant revenues can significantly change and impact the annual comparisons.
- 4) Market impacts on investment income may cause investment revenues to fluctuate from the prior year.

Some other basic impacts on expenses are reflected below:

- 1) Introduction of new programs can have a substantial impact on the government's spending.
- 2) Changes in service demand levels can cause the Town to increase or decrease authorized staffing. Staffing costs (wages and related benefits) represent approximately 68% of the Town's operating costs.
- 3) Salary increases such as cost of living, performance and contract impact personal service costs.
- 4) While inflation has been relatively low, the Town is a major consumer of certain commodities such as chemicals, supplies, fuels, and parts. Some functional expenses did experience unusually high commodity specific increases this past year; for example group medical insurance.

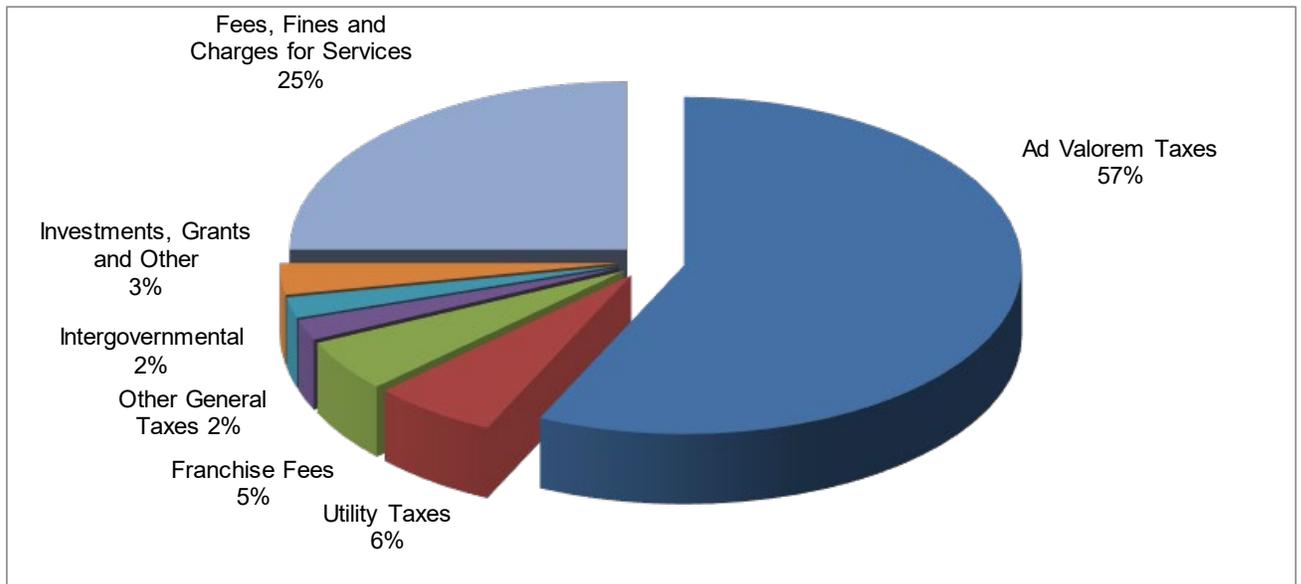
**Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019**

Governmental activities. Governmental activities increased the Town's net position by \$4,387,376.

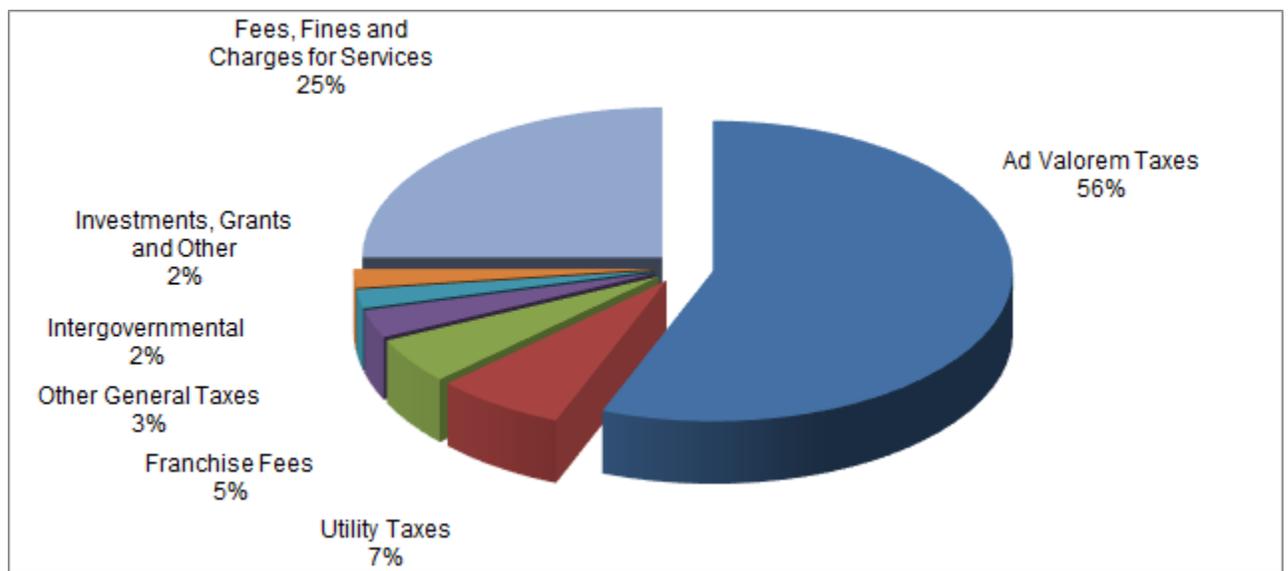
- **Revenues.** The following chart shows the amounts of program and general revenues for fiscal years 2019 and 2018:

**Revenues by Source – Governmental Activities
For the Years Ended September 30, 2019 and 2018**

2019



2018



The Town is heavily reliant on property taxes to support governmental functions. Property taxes provided 57% of the Town's total revenues in fiscal year 2019 as compared to 56% in fiscal year 2018. Franchise fees and utility taxes provided 11% in fiscal year 2019 as compared to 12% in fiscal year 2018.

**Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019**

In FY 2019, the Town's millage rate was 6.3000, an increase from the rate of 5.4000 in FY 2018. The increase was due to capital infrastructure spending. In FY 2020 the Town is able to reduce the millage rate to 5.0500. This was possible because of increases in assessments, new construction and the use of loan proceeds to fund the Town's capital projects.

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

	Total Cost of Services		Percentage Change
	2019	2018	
General government	\$ 7,058,823	\$ 6,779,427	4%
Public safety	8,075,969	8,558,400	-6%
Physical environment	1,342,594	1,293,019	4%
Human services	1,550,388	1,665,017	-7%
Culture and recreation	974,211	1,010,121	-4%
Interest	246,218	153,261	61%
	<u>\$ 19,248,203</u>	<u>\$ 19,459,245</u>	<u>-1%</u>

Expenses for governmental activities decreased \$221,042 from the prior year. The decrease is mostly attributable to decreased public safety costs due to pension expense adjustments.

Interest expense increased due to a new loan.

Business-type activities. Business-type activities increased the Town's net position by \$1,338,097.

- **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 2019 and 2018:

	Fiscal Year	
	2019	2018
Water and wastewater	\$ 559,674	\$ 344,446
Stormwater utility	729,043	684,124
	<u>\$ 1,288,717</u>	<u>\$ 1,028,570</u>

The following includes an analysis of the fiscal year 2019 financial activities for each fund:

- The water and wastewater fund had an increase in net position of \$559,674. Operating revenues decreased by \$71,641 from the prior year due to decreased user and service hook-up charges. Operating expenses decreased by \$47,548 from the prior year. This is mostly attributable to adjustments to the pension expense.
- The water and wastewater fund had capital contributions of \$203,600. There were no capital contributions in the prior year.

**Town of Medley, Florida
Management's Discussion and Analysis
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- The stormwater utility fund had an increase in net position of \$729,043. Operating revenues increased by \$236,721 due to an increase in the ERU's effective with the July 1, 2019 billing. Operating expenses increased by \$45,742 from the prior year. This was attributable to a combination of increases in salaries, wages, and employee benefits and depreciation expense.
- **Nonmajor fund – Medley Lakeside Retirement Park.** There were transfers from the general fund of \$235,260 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 were required. The total costs of these repairs are approximately \$1,400,000. As of September 30, 2019, the construction was 25% complete, with completion scheduled for March 2020. The project is FEMA approved. The Town expects FY 2020 reimbursement of up to 90% of the cost of construction.
- **Nonmajor fund – Medley Police Gun Range.** The gun range received \$81,483 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. The Town expects FY 2020 FEMA reimbursement of up to 90% of the cost of a new tower.

The Medley Police Gun Range Fund was closed on September 30, 2019. The gun range was not closed but the Enterprise Fund was. Effective October 1, 2019 the operations of the range was incorporated into the Police Department's operations.

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:

	<u>Governmental Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	
Revenue	\$ 23,310,981	\$ 394,123	\$ 36,243	\$ 23,741,347
Expenditures	(20,471,352)	(247,655)	(24,949)	(20,743,956)
Other financing sources, net	<u>7,195,486</u>	<u>-</u>	<u>-</u>	<u>7,195,486</u>
	<u>\$ 10,035,115</u>	<u>\$ 146,468</u>	<u>\$ 11,294</u>	<u>\$ 10,192,877</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.

Town of Medley, Florida
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The Town's governmental funds reported a combined ending fund balance of \$22,849,603, an increase of \$10,192,877 in comparison with the prior year. Key components increasing fund balance are as follows:

- In addition to an increase in the millage rate from 5.4000 mills to 6.3000 mills, the assessed values increased by 8%, resulting in additional ad valorem taxes of \$2,700,495.
- Proceeds from issuance of debt of \$7,500,000.
- An increase in permit, fees, and licenses of \$459,924.
- A decrease in capital outlay expenditures of \$674,102 from the prior year.

The general fund is the chief operating fund of the Town. General tax revenues and other receipts that are not allocated to another fund by law or contractual commitment are accounted for in this fund. General operating expenditures and capital improvement costs not paid through another fund are paid from this fund. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$21,411,161. 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 103% 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 \$1,338,097. 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 \$878,609 which represents a decrease of \$22,136 from the prior year. The plan is 100% funded by the Town of Medley which contributed \$1,000,000 to the plan in both 2019 and 2018. 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. Effective October 1, 2019 the blended multiplier was increased from 2.50% to 2.75%, including all past service. In addition, employees hired after June 30, 2014 will receive the same benefit multiplier as those hired before that date. Due to actuarial experience differences and increases in benefits the annual required contribution for FY 2020 increased to \$990,974.

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 were \$950,548, an increase of \$20,832 from the prior year. The actual Town and State contribution was \$1,198,747 for the current fiscal year and \$1,262,555 for the prior year. Police officers contributed \$150,881 and \$151,915 for 2019 and 2018, 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.

**Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019**

Note 7, beginning on page 49, 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 lower than the final budget by \$866,675. This was primarily due to the net effects of the following variances:

- Ad valorem collections were \$41,531 greater than budget due to collections of delinquent taxes.
- Utility taxes were \$51,232 over budget.
- Intergovernmental collections were \$208,493 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 \$890,320 under budget. Although building permits were over budget, impact fees from the County of \$1,000,000 were not realized until FY 2020.
- User charges were \$31,487 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.
- Miscellaneous revenues were over budget by \$102,725. This was due to higher interest income and collection of demolition fees for costs incurred for the removal of unsafe structures.

Actual expenditures were lower than budget by \$772,210. This was primarily caused by lower than budgeted capital outlay costs of \$968,851 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 69 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, 2019, amounts to \$175,232,841 (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.

**Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019**

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>		
Land and improvements	\$ 10,181,032	\$ 10,159,032	\$ 843,239	\$ 799,239	\$ 11,024,271	\$ 10,958,271	\$ 66,000	0.6 %
Construction in progress	3,025,884	2,673,302	2,074,633	7,745,877	5,100,517	10,419,179	(5,318,662)	(51.0)
Buildings and improvements	15,424,157	15,434,300	1,691,417	1,578,087	17,115,574	17,012,387	103,187	0.6
Infrastructure	145,425,152	144,075,152	-	-	145,425,152	144,075,152	1,350,000	0.9
Machinery, equipment, and vehicles	6,248,464	5,776,387	3,202,326	3,196,125	9,450,790	8,972,512	478,278	5.3
Water and wastewater systems	-	-	28,923,059	26,523,478	28,923,059	26,523,478	2,399,581	9.0
Stormwater systems	-	-	<u>17,362,455</u>	<u>12,485,764</u>	<u>17,362,455</u>	<u>12,485,764</u>	<u>4,876,691</u>	39.1
Total	180,304,689	178,118,173	54,097,129	52,328,570	234,401,818	230,446,743	3,955,075	1.7
Accumulated depreciation	<u>(39,102,540)</u>	<u>(37,262,946)</u>	<u>(20,066,437)</u>	<u>(18,862,455)</u>	<u>(59,168,977)</u>	<u>(56,125,401)</u>	<u>(3,043,576)</u>	5.4
	<u>\$ 141,202,149</u>	<u>\$ 140,855,227</u>	<u>\$ 34,030,692</u>	<u>\$ 33,466,115</u>	<u>\$ 175,232,841</u>	<u>\$ 174,321,342</u>	<u>\$ 911,499</u>	0.5 %

Additional information on the Town's capital assets can be found in Note 4 on pages 45 through 48 of this report.

Long-term obligations. At year end, the Town had \$15,645,498 in notes outstanding versus \$9,147,932 last year. Repayments of debt amounted to \$1,002,434. The increase was due to the execution of a Note with Synovus Bank for the construction of Town-wide infrastructure improvements. Included in long-term obligations of the governmental fund and proprietary fund types are \$1,125,826 and \$216,983 in accrued compensated absence liabilities, respectively.

**Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019**

The following table reports long-term obligation balances at September 30, 2019 and 2018:

	Governmental Activities			Balance September 30, 2019
	Balance October 1, 2018	Additions	Reductions	
Notes payable	\$ 5,694,469	\$ 7,500,000	\$ 752,803	\$ 12,441,666
Compensated absences	<u>947,070</u>	<u>1,298,843</u>	<u>1,120,087</u>	<u>1,125,826</u>
	<u>\$ 6,641,539</u>	<u>\$ 8,798,843</u>	<u>\$ 1,872,890</u>	<u>\$ 13,567,492</u>
	Business-Type Activities			Balance September 30, 2019
	Balance October 1, 2018	Additions	Reductions	
Notes payable	\$ 3,453,463	\$ -	\$ 249,631	\$ 3,203,832
Compensated absences	<u>202,403</u>	<u>230,449</u>	<u>215,869</u>	<u>216,983</u>
	<u>\$ 3,655,866</u>	<u>\$ 230,449</u>	<u>\$ 465,500</u>	<u>\$ 3,420,815</u>

Additional information on the Town's long-term debt can be found in Note 9 on pages 62 through 65 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Given growth in the economy the Town's taxable value has increased by approximately 19% since 2009.

The operating millage for the fiscal year ending September 30, 2020, is stated at 5.0500 mills. This represents an 8% decrease over the rolled back rate and is lower than the 2019 millage rate of 6.3000 mills.

The general fund's total 2020 departmental expenditures are budgeted at \$18,382,846 which is \$1,021,665 more than fiscal 2019 actual expenditures. This is due to increases in payroll and related benefits, professional fees and program costs.

In fiscal year 2020, the Town has budgeted over \$17 million in capital projects: \$8.4 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; a community pool; 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.

**Town of Medley, Florida
Management's Discussion and Analysis
September 30, 2019**

In the first half of calendar year 2020, the world has been adversely affected by the COVID-19 virus. As of the date of this report, the virus and its effects have already caused a major downturn in the world's economy. Without knowing when conditions will improve, there is no economic model that can project how the Town's revenues will be reduced. Revenues that are reliant on economic activity such as intergovernmental taxes, waste host fees, utility user fees, and building permits will be reduced over the remaining months of the fiscal year and may even affect next year's revenues projections.

At this time the Town has not had to lay off any employees and continues to pay full salaries. Most employees are working in rotations and those with the capability are working from home. The Town believes it has ample reserves to weather this crisis but will have to reduce its spending patterns to mitigate the expected loss of revenue.

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, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 14,868,372	\$ 8,580,096	\$ 23,448,468
Investments	7,214,216	4,108,949	11,323,165
Receivables, net	605,416	1,151,696	1,757,112
Internal balances	537,387	(537,387)	-
Prepaid expenses	95,844	11,838	107,682
	<u>23,321,235</u>	<u>13,315,192</u>	<u>36,636,427</u>
Restricted assets			
Cash and cash equivalents	<u>1,257,940</u>	<u>750,645</u>	<u>2,008,585</u>
Total restricted assets	<u>1,257,940</u>	<u>750,645</u>	<u>2,008,585</u>
Capital assets			
Capital assets not being depreciated	113,101,129	2,596,271	115,697,400
Capital assets being depreciated, net	<u>28,101,020</u>	<u>31,434,421</u>	<u>59,535,441</u>
Total capital assets	<u>141,202,149</u>	<u>34,030,692</u>	<u>175,232,841</u>
Total assets	<u>165,781,324</u>	<u>48,096,529</u>	<u>213,877,853</u>
Deferred Outflows			
Deferred outflows related to other post employment benefits	441,032	105,526	546,558
Deferred outflows related to pensions	<u>3,080,601</u>	<u>701,798</u>	<u>3,782,399</u>
Total deferred outflows	<u>3,521,633</u>	<u>807,324</u>	<u>4,328,957</u>
Liabilities			
Liabilities			
Accounts payable and accrued liabilities	1,591,297	1,610,895	3,202,192
Liabilities payable from restricted assets	-	419,542	419,542
Long-term obligations			
Due within one year	1,366,790	255,354	1,622,144
Due after one year	12,200,702	3,165,461	15,366,163
Other post employment benefits	9,397,763	2,304,587	11,702,350
Net pension liability	<u>2,636,111</u>	<u>1,024,062</u>	<u>3,660,173</u>
Total liabilities	<u>27,192,663</u>	<u>8,779,901</u>	<u>35,972,564</u>
Deferred Inflows			
Unearned revenue	138,275	-	138,275
Refundable advances	-	10,388	10,388
Deferred developer fees	-	75,749	75,749
Deferred inflows related to other post employment benefits	1,922,381	531,619	2,454,000
Deferred inflows related to pensions	<u>2,245,590</u>	<u>532,528</u>	<u>2,778,118</u>
Total deferred inflows	<u>4,306,246</u>	<u>1,150,284</u>	<u>5,456,530</u>
Net Position			
Investment in capital assets, net of related debt	128,760,483	30,826,860	159,587,343
Restricted	1,438,442	-	1,438,442
Unrestricted	<u>7,605,123</u>	<u>8,146,808</u>	<u>15,751,931</u>
Total net position	<u>\$ 137,804,048</u>	<u>\$ 38,973,668</u>	<u>\$ 176,777,716</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Government-Wide Statement of Activities
Year Ended September 30, 2019

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	\$ 7,058,823	\$ 4,250,767	\$ -	\$ 204,561	\$ (2,603,495)	\$ -	\$ (2,603,495)
Public safety	8,075,969	1,808,348	-	-	(6,267,621)	-	(6,267,621)
Physical environment	1,342,594	-	-	-	(1,342,594)	-	(1,342,594)
Human services	1,550,388	-	-	-	(1,550,388)	-	(1,550,388)
Culture and recreation	974,211	-	-	-	(974,211)	-	(974,211)
Interest on long-term obligations	246,218	-	-	-	(246,218)	-	(246,218)
Total governmental activities	<u>19,248,203</u>	<u>6,059,115</u>	<u>-</u>	<u>204,561</u>	<u>(12,984,527)</u>	<u>-</u>	<u>(12,984,527)</u>
Business-type activities							
Water and wastewater utility	5,257,349	5,517,264	-	206,930	-	466,845	466,845
Stormwater utility	1,676,218	2,350,843	-	-	-	674,625	674,625
Medley Lakeside Retirement Park	416,471	199,621	-	-	-	(216,850)	(216,850)
Police gun range	345,459	219,956	3,959	-	-	(121,544)	(121,544)
Total business-type activities	<u>7,695,497</u>	<u>8,287,684</u>	<u>3,959</u>	<u>206,930</u>	<u>-</u>	<u>803,076</u>	<u>803,076</u>
	<u>\$ 26,943,700</u>	<u>\$ 14,346,799</u>	<u>\$ 3,959</u>	<u>\$ 411,491</u>	<u>(12,984,527)</u>	<u>803,076</u>	<u>(12,181,451)</u>
General revenues							
Ad valorem taxes					13,546,449	-	13,546,449
Utility taxes					1,510,150	-	1,510,150
Other general taxes					485,936	-	485,936
Intergovernmental					423,278	-	423,278
Franchise fees					1,207,409	-	1,207,409
Investment earnings					276,543	149,024	425,567
Insurance settlement proceeds					-	81,483	81,483
Miscellaneous					226,652	-	226,652
Transfers					(304,514)	304,514	-
Total general revenues					<u>17,371,903</u>	<u>535,021</u>	<u>17,906,924</u>
Change in net position					4,387,376	1,338,097	5,725,473
Net position, beginning of year					<u>133,416,672</u>	<u>37,635,571</u>	<u>171,052,243</u>
Net position, end of year					<u>\$ 137,804,048</u>	<u>\$ 38,973,668</u>	<u>\$ 176,777,716</u>

The Notes to Financial Statements are an integral part of this statement.

**Town of Medley, Florida
Governmental Funds
Balance Sheet
September 30, 2019**

	<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	\$ 14,765,534	\$ -	\$ 102,838	\$ 14,868,372
Investments	7,214,216	-	-	7,214,216
Receivables, net	605,231	185	-	605,416
Due from other funds	554,232	-	-	554,232
Prepaid expenses	95,844	-	-	95,844
Restricted assets				
Cash and cash equivalents	-	1,257,940	-	1,257,940
Total assets	<u>\$ 23,235,057</u>	<u>\$ 1,258,125</u>	<u>\$ 102,838</u>	<u>\$ 24,596,020</u>
Liabilities, Deferred Inflows, and Fund Equity				
Liabilities				
Accounts payable and accrued liabilities	\$ 1,589,777	\$ 1,520	\$ -	\$ 1,591,297
Due to other funds	-	1,462	15,383	16,845
Total liabilities	<u>1,589,777</u>	<u>2,982</u>	<u>15,383</u>	<u>1,608,142</u>
Deferred inflows – unearned revenue	<u>138,275</u>	<u>-</u>	<u>-</u>	<u>138,275</u>
Fund equity				
Fund balance				
Nonspendable	95,844	-	-	95,844
Restricted	-	1,255,143	-	1,255,143
Committed	-	-	87,455	87,455
Assigned	11,000,000	-	-	11,000,000
Unassigned	10,411,161	-	-	10,411,161
Total fund equity	<u>21,507,005</u>	<u>1,255,143</u>	<u>87,455</u>	<u>22,849,603</u>
Total liabilities, deferred inflows, and fund equity	<u>\$ 23,235,057</u>	<u>\$ 1,258,125</u>	<u>\$ 102,838</u>	<u>\$ 24,596,020</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Governmental Funds
Balance Sheet
September 30, 2019

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position:	
Total fund balance – total governmental funds	\$ 22,849,603
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$180,304,689, net of accumulated depreciation of \$39,102,540, are not financial resources and, therefore, are not reported in the funds.	141,202,149
Long-term obligations of \$13,567,492 are not due and payable in the current period and are not reported in the funds.	(13,567,492)
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	(9,397,763)
Deferred outflows related to other post employment benefits	441,032
Deferred inflows related to other post employment benefits	(1,922,381)
On the statement of net position, the Town’s net pension liability for the defined benefit pension plans of the Town is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows of resources related to pensions are also reported.	
Net pension liability	(2,636,111)
Deferred outflows related to pensions	3,080,601
Deferred inflows related to pensions	<u>(2,245,590)</u>
Net position of governmental activities	<u>\$ 137,804,048</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2019

	<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	\$ 13,546,449	\$ -	\$ -	\$ 13,546,449
Utility taxes	1,510,150	-	-	1,510,150
Other general taxes	755,167	-	-	755,167
Intergovernmental	429,093	-	-	429,093
Permits, fees, and licenses	5,188,945	-	-	5,188,945
Fines and forfeitures	973,965	380,877	-	1,354,842
User charges	444,487	-	-	444,487
Miscellaneous	462,725	13,246	36,243	512,214
Total revenues	<u>23,310,981</u>	<u>394,123</u>	<u>36,243</u>	<u>23,741,347</u>
Expenditures				
Current operating				
General government	5,718,377	-	-	5,718,377
Public safety	8,003,334	2,119	-	8,005,453
Physical environment	1,289,955	-	-	1,289,955
Human services	1,506,164	-	-	1,506,164
Culture and recreation	853,352	-	24,949	878,301
Capital outlay	2,101,149	245,536	-	2,346,685
Debt service	999,021	-	-	999,021
Total expenditures	<u>20,471,352</u>	<u>247,655</u>	<u>24,949</u>	<u>20,743,956</u>
Excess of revenues over expenditures	<u>2,839,629</u>	<u>146,468</u>	<u>11,294</u>	<u>2,997,391</u>
Other financing sources				
Proceeds from issuance of debt	7,500,000	-	-	7,500,000
Operating transfers – out	(304,514)	-	-	(304,514)
Total other financing sources	<u>7,195,486</u>	<u>-</u>	<u>-</u>	<u>7,195,486</u>
Excess of revenues over expenditures and other financing sources	10,035,115	146,468	11,294	10,192,877
Fund balances				
Beginning of year	<u>11,471,890</u>	<u>1,108,675</u>	<u>76,161</u>	<u>12,656,726</u>
End of year	<u>\$ 21,507,005</u>	<u>\$ 1,255,143</u>	<u>\$ 87,455</u>	<u>\$ 22,849,603</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2019

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	\$ 10,192,877
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$2,346,685 was exceeded by depreciation of \$1,989,011 in the current period.	357,674
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.	(10,752)
Change in long-term compensated absences recognized in statement of activities, not recognized as expenditures.	(178,756)
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.	(220,049)
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.	752,803
The proceeds from the issuance of debt is reported as an other financing source in governmental funds and, thus has an effect on fund balance because current financial resources have been gained for use by the Town as a whole; however, the issuance of debt increases liabilities in the statement of net and does not result in net position in the statement of activities.	(7,500,000)
Contributions made to the pension plan are shown as an expenditure in governmental funds and, thus has an effect on fund balance because current financial resources have been used for the Town as a whole; however, the contributions reduce net pension liability in the statement of net position and do not result in expense in the statement of activities.	1,668,064
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	198,746
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>(873,231)</u>
Change in net position of governmental activities	<u>\$ 4,387,376</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Proprietary Funds
Statement of Net Position
September 30, 2019

	<u>Major Funds</u>		<u>Other Proprietary Funds</u>	<u>Total</u>
	<u>Water and Wastewater Fund</u>	<u>Stormwater Utility Fund</u>		
Assets				
Current assets				
Cash and cash equivalents	\$ 5,310,090	\$ 3,231,262	\$ 38,744	\$ 8,580,096
Investments	2,614,406	1,494,543	-	4,108,949
Receivables, net	616,484	93,855	86,358	796,697
Due from other governments	354,999	-	-	354,999
Due from other funds	218,780	-	-	218,780
Prepaid expenses	11,838	-	-	11,838
Total current assets	<u>9,126,597</u>	<u>4,819,660</u>	<u>125,102</u>	<u>14,071,359</u>
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	614,101	136,544	-	750,645
Total restricted assets	<u>614,101</u>	<u>136,544</u>	<u>-</u>	<u>750,645</u>
Non-restricted assets				
Capital assets, net	18,002,972	15,367,305	660,415	34,030,692
Total non-restricted assets	<u>18,002,972</u>	<u>15,367,305</u>	<u>660,415</u>	<u>34,030,692</u>
Total noncurrent assets	<u>18,617,073</u>	<u>15,503,849</u>	<u>660,415</u>	<u>34,781,337</u>
Total assets	<u>27,743,670</u>	<u>20,323,509</u>	<u>785,517</u>	<u>48,852,696</u>
Deferred Outflows				
Related to other post employment benefits	67,470	25,971	12,085	105,526
Related to pensions	435,331	214,205	52,262	701,798
Total deferred outflows	<u>502,801</u>	<u>240,176</u>	<u>64,347</u>	<u>807,324</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Proprietary Funds
Statement of Net Position
September 30, 2019

	<u>Major Funds</u>		<u>Other Proprietary Funds</u>	<u>Total</u>
	<u>Water and Wastewater Fund</u>	<u>Stormwater Utility Fund</u>		
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 983,254	\$ 306,107	\$ 321,534	\$ 1,610,895
Due to other funds	418,997	337,170	-	756,167
Liabilities payable from restricted assets				
Utility deposits	419,542	-	-	419,542
Current portion of notes payable	118,810	136,544	-	255,354
Total current liabilities	<u>1,940,603</u>	<u>779,821</u>	<u>321,534</u>	<u>3,041,958</u>
Long-term obligations				
Notes payable, net of current portion	820,624	2,127,854	-	2,948,478
Compensated absences	132,094	65,513	19,376	216,983
Other post employment benefits	1,520,405	547,473	236,709	2,304,587
Net pension liability	635,233	312,568	76,261	1,024,062
Total long-term debt	<u>3,108,356</u>	<u>3,053,408</u>	<u>332,346</u>	<u>6,494,110</u>
Total liabilities	<u>5,048,959</u>	<u>3,833,229</u>	<u>653,880</u>	<u>9,536,068</u>
Deferred Inflows				
Related to other post employment benefits	341,986	136,517	53,116	531,619
Related to pensions	330,331	162,540	39,657	532,528
Refundable advances	-	10,388	-	10,388
Deferred developer fees	75,749	-	-	75,749
Total deferred inflows	<u>748,066</u>	<u>309,445</u>	<u>92,773</u>	<u>1,150,284</u>
Net Position				
Investment in capital assets, net of related debt	17,063,538	13,102,907	660,415	30,826,860
Unrestricted	5,385,908	3,318,104	(557,204)	8,146,808
Total net position	<u>\$ 22,449,446</u>	<u>\$ 16,421,011</u>	<u>\$ 103,211</u>	<u>\$ 38,973,668</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2019

	<u>Major Funds</u>			<u>Total</u>
	<u>Water and Wastewater Fund</u>	<u>Stormwater Utility Fund</u>	<u>Other Proprietary Funds</u>	
Operating revenues				
User charges	\$ 5,445,421	\$ 2,337,508	\$ 409,788	\$ 8,192,717
Service and hook-up charges	66,016	-	-	66,016
Miscellaneous other	5,827	13,335	9,789	28,951
Total operating revenue	<u>5,517,264</u>	<u>2,350,843</u>	<u>419,577</u>	<u>8,287,684</u>
Operating expenses				
Salaries, wages and employee benefits	1,450,738	689,529	268,895	2,409,162
Contractual services, materials, and supplies	3,061,079	496,985	451,396	4,009,460
Depreciation and amortization	718,757	443,586	41,639	1,203,982
Total operating expenses	<u>5,230,574</u>	<u>1,630,100</u>	<u>761,930</u>	<u>7,622,604</u>
Operating income (loss)	<u>286,690</u>	<u>720,743</u>	<u>(342,353)</u>	<u>665,080</u>
Non-operating revenues (expenses)				
Grants	3,330	-	3,959	7,289
Insurance settlement proceeds	-	-	81,483	81,483
Interest income	92,829	54,418	1,777	149,024
Interest expense	(26,775)	(46,118)	-	(72,893)
Total non-operating revenues	<u>69,384</u>	<u>8,300</u>	<u>87,219</u>	<u>164,903</u>
Income (loss) before other revenues and operating transfers	<u>356,074</u>	<u>729,043</u>	<u>(255,134)</u>	<u>829,983</u>
Other revenues and operating transfers				
Capital contributions	203,600	-	-	203,600
Operating transfers-in	-	-	304,514	304,514
Total other revenues and operating transfers	<u>203,600</u>	<u>-</u>	<u>304,514</u>	<u>508,114</u>
Net income	559,674	729,043	49,380	1,338,097
Net position				
Beginning of year	<u>21,889,772</u>	<u>15,691,968</u>	<u>53,831</u>	<u>37,635,571</u>
End of year	<u>\$ 22,449,446</u>	<u>\$ 16,421,011</u>	<u>\$ 103,211</u>	<u>\$ 38,973,668</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2019

	<u>Major Funds</u>			<u>Total</u>
	<u>Water and Wastewater Fund</u>	<u>Stormwater Utility Fund</u>	<u>Other Proprietary Funds</u>	
Operating activities				
Receipts from customers and users	\$ 5,404,961	\$ 2,238,579	\$ 336,793	\$ 7,980,333
Payments to suppliers	(3,010,442)	(726,560)	(456,173)	(4,193,175)
Payments to employees	(1,486,047)	(667,416)	(266,534)	(2,419,997)
Other receipts	<u>5,250</u>	<u>13,335</u>	<u>9,789</u>	<u>28,374</u>
Net cash provided by (used in) operating activities	<u>913,722</u>	<u>857,938</u>	<u>(376,125)</u>	<u>1,395,535</u>
Noncapital financing activities				
Decrease in current liabilities payable from restricted assets	10,205	-	-	10,205
Proceeds from insurance claim	-	-	81,483	81,483
Transfers from other funds	-	-	304,514	304,514
Proceeds from operating grants	3,330	-	3,959	7,289
Change in due from/to other funds	<u>921,985</u>	<u>845,647</u>	<u>(46,199)</u>	<u>1,721,433</u>
Net cash provided by noncapital financing activities	<u>935,520</u>	<u>845,647</u>	<u>343,757</u>	<u>2,124,924</u>
Capital and related financing activities				
Acquisition of capital assets	(69,725)	(926,102)	(172,949)	(1,168,776)
Principal reduction on notes payable	(115,712)	(133,919)	-	(249,631)
Interest paid on notes payable	<u>(26,775)</u>	<u>(46,118)</u>	<u>-</u>	<u>(72,893)</u>
Net cash used in capital and related financing activities	<u>(212,212)</u>	<u>(1,106,139)</u>	<u>(172,949)</u>	<u>(1,491,300)</u>
Investing activities				
Redemption of investments	535,628	-	-	535,628
Purchase of investments	(1,065,371)	(29,046)	-	(1,094,417)
Interest income received	<u>92,829</u>	<u>53,081</u>	<u>1,777</u>	<u>147,687</u>
Net cash provided by (used in) investing activities	<u>(436,914)</u>	<u>24,035</u>	<u>1,777</u>	<u>(411,102)</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2019

	<u>Water and Wastewater Fund</u>	<u>Stormwater Utility Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
Net change in cash and cash equivalents	\$ 1,200,116	\$ 621,481	\$ (203,540)	\$ 1,618,057
Cash and cash equivalents				
Beginning of year	<u>4,724,075</u>	<u>2,746,325</u>	<u>242,284</u>	<u>7,712,684</u>
End of year	<u>\$ 5,924,191</u>	<u>\$ 3,367,806</u>	<u>\$ 38,744</u>	<u>\$ 9,330,741</u>
Reported as follows in the statement of net position				
Cash and cash equivalents	\$ 5,310,090	\$ 3,231,262	\$ 38,744	\$ 8,580,096
Restricted cash and cash equivalents	<u>614,101</u>	<u>136,544</u>	<u>-</u>	<u>750,645</u>
	<u>\$ 5,924,191</u>	<u>\$ 3,367,806</u>	<u>\$ 38,744</u>	<u>\$ 9,330,741</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 286,690	\$ 720,743	\$ (342,353)	\$ 665,080
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	718,757	443,586	41,639	1,203,982
Bad debt expense	59,003	48,239	2,400	109,642
Changes in				
Receivables	(113,894)	(92,380)	(72,994)	(279,268)
Due from other governments	(259,308)	-	-	(259,308)
Prepaid expenses	(9,458)	-	10,336	878
Notes receivable	7,418	-	-	7,418
Deferred outflows of resources	(246,582)	(130,001)	(37,724)	(414,307)
Accounts payable and accrued liabilities	259,823	(277,815)	(17,514)	(35,506)
Refundable advances	-	(6,548)	-	(6,548)
Compensated absences	8,955	9,762	(4,137)	14,580
Other post employment benefits	(132,584)	(51,033)	(23,749)	(207,366)
Deferred inflows of resources	136,276	68,558	37,076	241,910
Net pension liability	<u>198,626</u>	<u>124,827</u>	<u>30,895</u>	<u>354,348</u>
Net cash provided by (used in) operating activities	<u>\$ 913,722</u>	<u>\$ 857,938</u>	<u>\$ (376,125)</u>	<u>\$ 1,395,535</u>

Supplemental disclosure of noncash investing and financing activities

In the Water and Wastewater Utility Fund, the Town received capital contributions in the form of capital assets of \$203,600.

In the Water and Wastewater Utility Fund, the Town had \$9,768 of purchases of capital assets in accounts payable.

In the Stormwater Utility Fund, the Town had \$83,589 of purchases of capital assets in accounts payable.

In the other proprietary funds, the Town had \$302,826 of purchases of capital assets in accounts payable.

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Fiduciary Funds
Statement of Fiduciary Net Position
September 30, 2019

	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>General Employees' Pension Fund</u>	<u>Police Officers' Retirement Fund</u>	
Assets			
Due from General Employees' Pension Fund	\$ -	\$ 15,083	\$ 15,083
Investments at fair value	<u>22,329,086</u>	<u>27,914,208</u>	<u>50,243,294</u>
Total assets	<u>22,329,086</u>	<u>27,929,291</u>	<u>50,258,377</u>
Liabilities			
Accounts payable	3,836	-	3,836
Due to Police Officers' Pension Fund	<u>15,083</u>	<u>-</u>	<u>15,083</u>
Total liabilities	<u>18,919</u>	<u>-</u>	<u>18,919</u>
Net position restricted for pension benefits	<u>\$ 22,310,167</u>	<u>\$ 27,929,291</u>	<u>\$ 50,239,458</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2019

	<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	\$ 1,198,747	\$ 2,198,747
Employee	-	150,881	150,881
Total contributions	<u>1,000,000</u>	<u>1,349,628</u>	<u>2,349,628</u>
Investment gains, including net unrealized gains on investments	<u>650,837</u>	<u>754,218</u>	<u>1,405,055</u>
Total additions	<u>1,650,837</u>	<u>2,103,846</u>	<u>3,754,683</u>
Deductions			
Benefit payments	991,824	1,507,784	2,499,608
Administrative expense	<u>30,318</u>	<u>48,088</u>	<u>78,406</u>
Total deductions	<u>1,022,142</u>	<u>1,555,872</u>	<u>2,578,014</u>
Change in net position	628,695	547,974	1,176,669
Net position restricted for pension benefits			
Beginning of year	<u>21,681,472</u>	<u>27,381,317</u>	<u>49,062,789</u>
End of year	<u>\$ 22,310,167</u>	<u>\$ 27,929,291</u>	<u>\$ 50,239,458</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

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, 2019.

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.

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

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.

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

- *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, 3) capital grants and contributions, including special assessments, and 4) traffic fines and forfeitures. 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, 2019, the carrying amount of the Town's deposits was \$25,457,053 and the bank balances of the Town's deposits were \$26,534,990. 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.

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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 and Florida local government surplus funds and trust funds.

(b) Interest Rate Risk

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

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

(c) Foreign Currency Risk

Foreign currency risk is the risk that the change in exchange rates will adversely affect the fair value of an investment. The Town’s general employees’ pension fund and the police officers’ retirement fund hold \$2,180,829 and \$2,762,658, respectively, in various foreign equities as of September 30, 2019. The foreign holdings account for approximately 10% of each fund’s respective investments. The pension plans have no investment policies that limit its investment choices as it relates to foreign equities.

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(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, to 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 28% of its investments in fixed income securities, 62% in domestic equity, and 10% in international stock. The police officers' retirement fund presently has allocated 30% of its investment in fixed income securities, 60% in domestic equity, and 10% in international equities.

For the year ended September 30, 2019, the annual money weighted rate of return on plan investments, net of investment expense, was 2.98% and 2.75% 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, 2019, are as follows:

	General Employees' Pension Plan	Police Officers' Retirement Fund
Fidelity 500 IDX Instl Prem	\$ 3,142,767	\$ 3,076,887
Harbor Bond	1,835,920	4,287,700
MFS Value R5	3,624,760	-
Oakmark International I	-	2,762,658
Stable Asset Fund II	4,524,054	4,226,652
T. Rowe Price Growth Stock	3,477,240	2,978,792
Vanguard REIT Index Admiral DB	-	1,755,874
Vanguard Value Index Admiral DB	-	3,069,531
	<u>\$ 16,604,741</u>	<u>\$ 22,158,094</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 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.

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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, 2019, for the General Employees' Pension Fund and the Police Officers' Retirement Fund.

General Employees' Pension Fund				
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Stable Asset Fund (a)	\$ 4,524,054	\$ -	Daily	Daily
Pooled separate accounts:				
Fixed income securities (b)	1,835,920	-	Daily	Daily
Domestic equity securities (c)	13,788,283	-	Daily	Daily
International stock securities (d)	2,180,829	-	Daily	Daily
	<u>17,805,032</u>	<u>-</u>		
	<u>\$ 22,329,086</u>	<u>\$ -</u>		

Police Officers' Retirement Fund				
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Stable Asset Fund (a)	\$ 4,226,652	\$ -	Daily	Daily
Pooled separate accounts:				
Fixed income securities (b)	4,287,700	-	Daily	Daily
Domestic equity securities (c)	16,637,198	-	Daily	Daily
International stock securities (d)	2,762,658	-	Daily	Daily
	<u>23,687,556</u>	<u>-</u>		
	<u>\$ 27,914,208</u>	<u>\$ -</u>		

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

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

(4) 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.

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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

(5) 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 two items that qualify 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 items are the deferred outflows related to pensions and deferred outflows related to other post employment benefits. 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. The deferred outflows related to other post employment benefits are an aggregate of items related to other post employment benefits as calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The deferred outflows related to other post employment benefits will be recognized as either health insurance expenses or a reduction in the other post employment benefit liability in future reporting years. Details on the composition of deferred in outflows related to pensions and other post employment benefits are reported in a subsequent note.

(6) 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, 2019, that are for fiscal year 2020 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.

(7) 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.

(8) 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.

(9) Fund Balances – Governmental Funds

As of September 30, 2019, 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.

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- 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.

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 the 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 balances are 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, 2019, the Town recorded a net pension liability related to the General Employees’ Pension Plan and the Police Officers’ Retirement Plan in its government-wide statement of net position in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Please refer to Note 7 for further information.

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

The Town provides post-employment benefit options for health care and dental insurance to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with Town ordinances, collective bargaining agreements, and the Consolidated Omnibus Budget

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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 7 for further information.

G. Stewardship, Compliance, and Accountability
Budgetary Information

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

Legally Adopted Appropriated Budgets

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

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

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

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

Legally Authorized Nonappropriated Budgets

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

H. Estimates

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

I. Subsequent Events

The Town has evaluated subsequent events through June 18, 2020, the date which the financial statements were available to be issued. Based upon this evaluation, the Town has determined that, except as disclosed in Note 14, no subsequent events have occurred that would require disclosure in the financial statements.

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2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents at September 30, 2019, consist of the following:

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Type</u>	<u>Total All Funds</u>	<u>Financial Institution Balance</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Government Funds</u>	<u>Enterprise Funds</u>		
Unrestricted						
Demand deposits	\$ 2,059,697	\$ 28	\$ 2,059,725	\$ 4,965	\$ 2,064,690	\$ 3,064,795
Money market funds	<u>12,705,837</u>	<u>102,810</u>	<u>12,808,647</u>	<u>8,575,131</u>	<u>21,383,778</u>	<u>21,434,610</u>
	<u>14,765,534</u>	<u>102,838</u>	<u>14,868,372</u>	<u>8,580,096</u>	<u>23,448,468</u>	<u>24,499,405</u>
Restricted						
Demand deposits	-	65,364 ³	65,364	-	65,364	92,364
Money market funds	-	<u>1,192,576</u> ³	<u>1,192,576</u>	<u>750,645</u> ^{1,2&4}	<u>1,943,221</u>	<u>1,943,221</u>
	-	<u>1,257,940</u>	<u>1,257,940</u>	<u>750,645</u>	<u>2,008,585</u>	<u>2,035,585</u>
Total cash and cash equivalents	<u>\$ 14,765,534</u>	<u>\$ 1,360,778</u>	<u>\$ 16,126,312</u>	<u>\$ 9,330,741</u>	<u>\$ 25,457,053</u>	<u>\$ 26,534,990</u>

Investments at September 30, 2019, consist of the following:

	<u>Governmental Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Total All Funds</u>	<u>Financial Institution Balance</u>
	<u>General Fund</u>	<u>Enterprise Funds</u>		
Certificates of deposit				
Unrestricted	<u>\$ 4,323,276</u>	<u>\$ 1,510,669</u>	<u>\$ 5,833,945</u>	<u>\$ 5,833,945</u>
Total certificates of deposit	<u>\$ 4,323,276</u>	<u>\$ 1,510,669</u>	<u>\$ 5,833,945</u>	<u>\$ 5,833,945</u>
FLCLASS pooled cash				
Unrestricted	<u>\$ 2,890,940</u>	<u>\$ 2,598,280</u>	<u>\$ 5,489,220</u>	<u>\$ 5,489,220</u>
Total FLCLASS pooled cash	<u>\$ 2,890,940</u>	<u>\$ 2,598,280</u>	<u>\$ 5,489,220</u>	<u>\$ 5,489,220</u>
Total investments	<u>\$ 7,214,216</u>	<u>\$ 4,108,949</u>	<u>\$ 11,323,165</u>	<u>\$ 11,323,165</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
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3. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables and due from other governments consist of the following at September 30, 2019:

	Governmental Funds			Enterprise Funds				Total
	General Fund	Special Revenue Funds	Total Government Funds	Water and Wastewater	Stormwater Utility	Police Gun Range	Total Enterprise	
Receivables								
User charges	\$ 22,446	\$ -	\$ 22,446	\$ 708,484	\$ 218,004	\$ 89,758	\$ 1,016,246	\$ 1,038,692
Interest	1,954	-	1,954	-	3,851	-	3,851	5,805
Utility taxes	130,900	-	130,900	-	-	-	-	130,900
Franchise fees	192,581	-	192,581	-	-	-	-	192,581
Host fees	131,358	-	131,358	-	-	-	-	131,358
Other	24,824	-	24,824	-	-	-	-	24,824
Total receivables	<u>504,063</u>	<u>-</u>	<u>504,063</u>	<u>708,484</u>	<u>221,855</u>	<u>89,758</u>	<u>1,020,097</u>	<u>1,524,160</u>
Due from other governments								
Miami-Dade County	63,438	-	63,438	354,999	-	-	354,999	418,437
State of Florida	56,372	-	56,372	-	-	-	-	56,372
Other	13,858	185	14,043	-	-	-	-	14,043
Total due from other governments	<u>133,668</u>	<u>185</u>	<u>133,853</u>	<u>354,999</u>	<u>-</u>	<u>-</u>	<u>354,999</u>	<u>488,852</u>
Allowance for doubtful accounts	(32,500)	-	(32,500)	(92,000)	(128,000)	(3,400)	(223,400)	(255,900)
	<u>\$ 605,231</u>	<u>\$ 185</u>	<u>\$ 605,416</u>	<u>\$ 971,483</u>	<u>\$ 93,855</u>	<u>\$ 86,358</u>	<u>\$ 1,151,696</u>	<u>\$ 1,757,112</u>
Bad debt expense for the year ended September 30, 2019	\$ 550	\$ -	\$ 550	\$ 59,003	\$ 48,239	\$ 2,400	\$ 109,642	\$ 110,192

Town of Medley, Florida
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4. CAPITAL ASSETS

A. Changes in Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>Balance, October 1, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Balance, September 30, 2019</u>
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 10,159,032	\$ 22,000	\$ -	\$ -	\$ 10,181,032
Infrastructure	99,894,213	-	-	-	99,894,213
Construction in progress	<u>2,673,302</u>	<u>1,600,464</u>	<u>-</u>	<u>(1,247,882)</u>	<u>3,025,884</u>
Total capital assets not being depreciated	<u>112,726,547</u>	<u>1,622,464</u>	<u>-</u>	<u>(1,247,882)</u>	<u>113,101,129</u>
Capital assets being depreciated					
Buildings and improvements	15,434,300	-	(10,143)	-	15,424,157
Infrastructure	44,180,939	350,000	-	1,000,000	45,530,939
Transportation equipment	2,879,910	39,414	(112,999)	-	2,806,325
Machinery and equipment	<u>2,896,477</u>	<u>334,807</u>	<u>(37,027)</u>	<u>247,882</u>	<u>3,442,139</u>
Total capital assets being depreciated	65,391,626	724,221	(160,169)	1,247,882	67,203,560
Accumulated depreciation	<u>(37,262,946)</u>	<u>(1,989,011)</u>	<u>149,417</u>	<u>-</u>	<u>(39,102,540)</u>
Capital assets being depreciated, net	<u>28,128,680</u>	<u>(1,264,790)</u>	<u>(10,752)</u>	<u>1,247,882</u>	<u>28,101,020</u>
Governmental activities – capital assets, net	<u>\$ 140,855,227</u>	<u>\$ 357,674</u>	<u>\$ (10,752)</u>	<u>\$ -</u>	<u>\$ 141,202,149</u>

Town of Medley, Florida
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September 30, 2019

	Balance, October 1, 2018	Additions	Dispositions	Transfers	Balance, September 30, 2019
Business-type activities					
Capital assets not being depreciated					
Land					
Water and wastewater fund	\$ 477,638	\$ 44,000	\$ -	\$ -	\$ 521,638
	<u>477,638</u>	<u>44,000</u>	<u>-</u>	<u>-</u>	<u>521,638</u>
Construction in progress					
Water and wastewater fund	2,702,617	69,292	-	(2,235,981)	535,928
Stormwater utility fund	4,961,598	1,009,691	-	(4,876,691)	1,094,598
Medley Lakeside Retirement Park fund	73,311	330,949	-	-	404,260
Police gun range fund	8,351	31,496	-	-	39,847
	<u>7,745,877</u>	<u>1,441,428</u>	<u>-</u>	<u>(7,112,672)</u>	<u>2,074,633</u>
Total capital assets not being depreciated	<u>8,223,515</u>	<u>1,485,428</u>	<u>-</u>	<u>(7,112,672)</u>	<u>2,596,271</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	26,523,478	163,600	-	2,235,981	28,923,059
Stormwater utility fund	12,485,764	-	-	4,876,691	17,362,455
	<u>39,009,242</u>	<u>163,600</u>	<u>-</u>	<u>7,112,672</u>	<u>46,285,514</u>
Buildings and improvements					
Water and wastewater fund	837,252	-	-	-	837,252
Stormwater utility fund	271,884	-	-	-	271,884
Medley Lakeside Retirement Park fund	292,731	-	-	-	292,731
Police gun range fund	176,220	113,330	-	-	289,550
	<u>1,578,087</u>	<u>113,330</u>	<u>-</u>	<u>-</u>	<u>1,691,417</u>

Town of Medley, Florida
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	Balance, October 1, 2018	Additions	Dispositions	Transfers	Balance, September 30, 2019
Transportation equipment					
Water and wastewater fund	\$ 353,680	\$ -	\$ -	\$ -	\$ 353,680
Stormwater utility fund	391,118	-	-	-	391,118
Medley Lakeside Retirement Park fund	3,634	-	-	-	3,634
	<u>748,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>748,432</u>
Machinery and equipment					
Water and wastewater fund	1,310,749	6,201	-	-	1,316,950
Stormwater utility fund	903,230	-	-	-	903,230
Medley Lakeside Retirement Park fund	35,334	-	-	-	35,334
Police gun range fund	198,380	-	-	-	198,380
	<u>2,447,693</u>	<u>6,201</u>	<u>-</u>	<u>-</u>	<u>2,453,894</u>
Total capital assets being depreciated					
Water and wastewater fund	29,025,159	169,801	-	2,235,981	31,430,941
Stormwater utility fund	14,051,996	-	-	4,876,691	18,928,687
Medley Lakeside Retirement Park fund	653,300	-	-	-	653,300
Police gun range fund	374,600	113,330	-	-	487,930
	<u>44,105,055</u>	<u>283,131</u>	<u>-</u>	<u>7,112,672</u>	<u>51,500,858</u>
Accumulated depreciation					
Water and wastewater fund	(13,766,778)	(718,757)	-	-	(14,485,535)
Stormwater utility fund	(4,212,394)	(443,586)	-	-	(4,655,980)
Medley Lakeside Retirement Park fund	(614,144)	(14,695)	-	-	(628,839)
Police gun range fund	(269,139)	(26,944)	-	-	(296,083)
Total accumulated depreciation	<u>(18,862,455)</u>	<u>(1,203,982)</u>	<u>-</u>	<u>-</u>	<u>(20,066,437)</u>
Capital assets being depreciated, net	<u>25,242,600</u>	<u>(920,851)</u>	<u>-</u>	<u>7,112,672</u>	<u>31,434,421</u>
Business-type activities – capital assets, net	<u>\$ 33,466,115</u>	<u>\$ 564,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,030,692</u>

Town of Medley, Florida
Notes to Financial Statements
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B. Depreciation Expense

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

Governmental activities	
General government	\$ 1,449,224
Public safety	335,312
Physical environment	82,797
Human services	36,156
Culture and recreation	<u>85,522</u>
	<u>\$ 1,989,011</u>
Business-type activities	
Water and wastewater utility	<u>\$ 718,757</u>
Stormwater utility	<u>\$ 443,586</u>
Medley Lakeside Retirement Park	<u>\$ 14,695</u>
Police gun range	<u>\$ 26,944</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at September 30, 2019:

	Governmental Funds			Enterprise Funds					Total
	General Funds	Law Enforcement Trust Fund	Total Governmental	Water and Wastewater	Stormwater Utility	Medley Lakeside Retirement Park	Police Gun Range	Total Enterprise	
Vendors	\$ 1,172,259	\$ 1,520	\$ 1,173,779	\$ 564,439	\$ 282,061	\$ 308,906	\$ 6,057	\$ 1,161,463	\$ 2,335,242
Salaries and benefits	417,518	-	417,518	58,715	24,046	2,320	4,251	89,332	506,850
Interest	-	-	-	14,000	-	-	-	14,000	14,000
DERM Taxes	-	-	-	346,100	-	-	-	346,100	346,100
	<u>\$ 1,589,777</u>	<u>\$ 1,520</u>	<u>\$ 1,591,297</u>	<u>\$ 983,254</u>	<u>\$ 306,107</u>	<u>\$ 311,226</u>	<u>\$ 10,308</u>	<u>\$ 1,610,895</u>	<u>\$ 3,202,192</u>

6. AD VALOREM TAX REVENUES

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

Town of Medley, Florida
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Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters, which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Town. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town Council and the Miami-Dade County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2019, was 6.3000 mills (\$6.3000 per \$1,000 of taxable assessed valuation). The Town levied a millage rate of 5.0500 mills for fiscal year 2020.

7. EMPLOYEE BENEFIT PLANS

A. Single Employer Defined Benefit Plans

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

- **General Employees' Pension Plan:** The Town of Medley's General Employees' Pension Plan provides retirement benefits for substantially all 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, 2019.
- **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, 2019.

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	103	37	140
Retirees and beneficiaries currently receiving benefits	39	23	62
Terminated plan members entitled to but not yet receiving benefits	<u>13</u>	<u>2</u>	<u>15</u>
	<u>155</u>	<u>62</u>	<u>217</u>

Town of Medley, Florida
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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 the 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 consists of five members. The Mayor is an ex-officio member with the other four appointed by the Mayor.	Management of the plan is vested in the Board of Trustees of the Town of Medley Police Officers' Retirement Plan.

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

(4) Annual Required Contributions

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

	<u>General Employees’ Pension Plan</u>	<u>Police Officers’ Retirement Plan</u>
Provision for Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Valuation date	October 1, 2019	October 1, 2019
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, 2019, are as follows:

	<u>General Employees’ Pension Plan</u>	<u>Police Officers’ Retirement Plan</u>
Total pension liability	\$ 25,395,277	\$ 28,504,354
Less: Plan fiduciary net position	<u>(22,310,167)</u>	<u>(27,929,291)</u>
Net pension liability	<u>\$ 3,085,110</u>	<u>\$ 575,063</u>
Plan fiduciary net position as a percentage of total pension liability	<u>87.85%</u>	<u>97.98%</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

The total pension liability was determined by actuarial valuations as of October 1, 2019, using the actuarial assumptions as described in Note 7.A.(4) and applied to all prior periods included in the measurement.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 (see the discussion of the pension plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>General Employees' Pension Plan</u>		<u>Police Officers' Retirement Plan</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>20%</u>	0.00%	<u>15%</u>	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:

	<u>General Employees' Pension Plan</u>		<u>Police Officers' Retirement Plan</u>	
	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	5.50%	\$ 6,130,942	6.50%	\$ 3,865,601
Current discount rate	6.50%	\$ 3,085,110	7.50%	\$ 575,063
1% increase	7.50%	\$ 546,306	8.50%	\$ (2,173,122)

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For the year ended September 30, 2019, the annual money-weighted rate of return on each pension plan investments, net of pension plan investment expense, was as follows:

	<u>General Employees' Pension Plan</u>	<u>Police Officers' Retirement Plan</u>
Annual money-weighted rate of return	2.98%	2.75%

(6) Reserves

There are no assets legally reserved for purposes other than the payment of plan members' benefits for either plan. See Note 1 for individual investments whose market value exceeds 5% or more of net position available for benefits. There are no long-term contracts for contributions.

(7) Change in Net Pension Liability

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

	<u>General Employees' Pension Plan</u>			<u>Police Officers' Retirement Plan</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/ (Asset)</u>
Balance at September 30, 2018	\$ 23,942,631	\$ 21,681,472	\$ 2,261,159	\$ 27,031,597	\$ 27,381,317	\$ (349,720)
Changes in the year						
Service cost	557,035	-	557,035	646,013	-	646,013
Interest	1,531,213	-	1,531,213	2,019,279	-	2,019,279
Differences between actual and expected	497,745	-	497,745	315,249	-	315,249
Changes in assumption	305,126	-	305,126	-	-	-
Changes in benefits	(446,649)	-	(446,649)	-	-	-
Contributions – employer	-	1,000,000	(1,000,000)	-	1,000,000	(1,000,000)
Contributions – State	-	-	-	-	198,747	(198,747)
Contributions – employee	-	-	-	-	150,881	(150,881)
Net investment income	-	650,837	(650,837)	-	754,218	(754,218)
Benefit payments	(991,824)	(991,824)	-	(1,507,784)	(1,507,784)	-
Administrative expenses	-	(30,318)	30,318	-	(48,088)	48,088
Net change	<u>1,452,646</u>	<u>628,695</u>	<u>823,951</u>	<u>1,472,757</u>	<u>547,974</u>	<u>924,783</u>
Balance at September 30, 2019	<u>\$ 25,395,277</u>	<u>\$ 22,310,167</u>	<u>\$ 3,085,110</u>	<u>\$ 28,504,354</u>	<u>\$ 27,929,291</u>	<u>\$ 575,063</u>

(8) Pension Expense

For the year ended September 30, 2019, the Sponsor will recognize pension expense of \$425,543 and \$701,558 for the general employees' and police officers' pension plans, respectively.

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

	General Employees' Pension Plan	Police Officers' Retirement Plan
Service cost incurred	\$ 557,035	\$ 646,013
Interest on total pension liability	1,531,213	2,019,279
Employee paid contribution	-	(150,881)
Plan amendment	(446,649)	-
Projected earnings on investments	(1,408,826)	(2,047,940)
Administrative expenses	30,318	48,088
Recognition of deferred inflows	<u>162,452</u>	<u>186,999</u>
 Total pension expense	 <u>\$ 425,543</u>	 <u>\$ 701,558</u>

(9) Deferred Inflows and Outflows

On September 30, 2019, 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	\$ 775,853	\$ (728,938)	\$ 334,034	\$ (424,141)	\$ 1,109,887	\$ (1,153,079)
Changes in assumptions	732,007	-	299,137	-	1,031,144	-
Net difference between projected and actual earnings on pension plan investments	<u>606,392</u>	<u>(875,366)</u>	<u>1,034,976</u>	<u>(749,673)</u>	<u>1,641,368</u>	<u>(1,625,039)</u>
	<u>\$ 2,114,252</u>	<u>\$ (1,604,304)</u>	<u>\$ 1,668,147</u>	<u>\$ (1,173,814)</u>	<u>\$ 3,782,399</u>	<u>\$ (2,778,118)</u>

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

Year Ending September 30,	General Employees' Pension Plan	Police Officers' Retirement Plan
2020	\$ (91,540)	\$ (113,114)
2021	(155,418)	(36,216)
2022	94,562	299,673
2023	308,923	291,447
2024	193,749	52,543
Thereafter	<u>159,672</u>	<u>-</u>
	<u>\$ 509,948</u>	<u>\$ 494,333</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.

Hired Prior to January 1, 2011		Hired From January 1, 2011 to June 30, 2014	
Benefit Service	Percent	Benefit Service	Percent
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%
Hired On or After July 1, 2014			
Benefit Service	Percent		
0 to 30	1.67%		

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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.

Subsequent to year end, the Town Council approved an amendment to the General Employees' Pension Plan, effective October 1, 2019. Per the amendment, the percentages used to calculate the normal retirement benefit are as follows:

<u>Hired Prior to January 1, 2011</u>		<u>Hired On or After January 1, 2011</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	2.75%	20 to 30	2.75%

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 October 1, 2019, the normal retirement date is the earlier of (1) age 62 or (2) 35 completed years of service.

(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.

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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, 2019, there were 88 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 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 \$202,011 to the money purchase plan.

C. Deferred Compensation Plan

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

D. Post-Employment Benefits Other Than Pension

(1) Plan Description

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

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

At September 30, 2019, the following employees were covered by the benefit terms:

Inactive plan members, or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>103</u>
	<u>122</u>

(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 \$650,639 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 3.58% for this purpose.

(3) OPEB Liability

The Town's total OPEB liability of \$11,702,350 was measured as of September 30, 2019, 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, 2019 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of September 30, 2019:

Valuation date	October 1, 2018
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	2.50%
Rate of growth in real income	3.50% for General Pension Plan Employees. For Police Pension Plan Employees, increases vary based on age - 6.68% at age 25, 6.07% at age 30, 5.22% at age 40, and 4.62% at age 50
Discount rate	3.58%
Excess medical cost growth	8.00%
Healthcare trend rate	8.75%

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

Changes in the Total OPEB Liability

Balance at September 30, 2018	\$ 12,776,373
Changes for the year	
Service cost	599,191
Interest	571,341
Differences between expected and actual experience	614,878
Changes of assumptions	(2,208,794)
Benefit payments	<u>(650,639)</u>
Net changes	<u>(1,074,023)</u>
Balance at September 30, 2019	<u>\$ 11,702,350</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 2019 is 3.58%, the 20-year GO bond index as of September 30, 2019. The rate at the beginning of the year was 4.18%, the 20-year GO bond index as of October 1, 2018.

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 one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease	2.58%	\$ 12,769,647
Current discount rate	3.58%	\$ 11,702,350
1% increase	4.58%	\$ 10,746,727

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 one-percentage-point lower or one-percentage-point higher:

	<u>Healthcare Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease	3.00%-7.00%	\$ 10,447,586
Current healthcare cost trend rates	4.00%-8.00%	\$ 11,702,350
1% increase	5.00%-9.00%	\$ 13,178,788

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

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

For the year ended September 30, 2019, the Town recognized OPEB expense of \$930,340. At September 30, 2019, 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	\$ 546,558	\$ 2,454,000

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,		
2020		\$ (247,192)
2021		(247,192)
2022		(247,192)
2023		(247,192)
2024		(247,192)
Thereafter		<u>(671,482)</u>
		<u>\$ (1,907,442)</u>

8. OPERATING LEASES

As Lessor

The Town operates a police gun range which is available for rent to other law enforcement agencies in the area on a day-to-day basis. In the fiscal year ended September 30, 2019, the Town received \$216,815 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, 2019, the Town received \$192,973 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).

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

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

	<u>Minimum Lease Payments</u>	<u>Estimated Contingent Rentals</u>	<u>Estimated Total Amount</u>
Year Ending September 30,			
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	60,000	87,821	147,821
2025 – 2029	<u>270,000</u>	<u>452,667</u>	<u>722,667</u>
	<u>\$ 570,000</u>	<u>\$ 849,956</u>	<u>\$ 1,419,956</u>

Total fiscal 2019 rental expenditures under the ground lease were \$129,365 including \$69,365 of contingent rentals.

Total rents under all operating leases, including short-term, month-to-month rentals, were \$148,380 for the year ended September 30, 2019.

9. LONG-TERM OBLIGATIONS

A. Governmental Fund Type Long-Term Obligations

Changes in governmental fund type long-term obligations for the year ended September 30, 2019, are as follows:

	<u>Balance October 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2019</u>
Notes payable	\$ 5,694,469	\$ 7,500,000	\$ 752,803	\$ 12,441,666
Compensated absences	<u>947,070</u>	<u>1,298,843</u>	<u>1,120,087</u>	<u>1,125,826</u>
	<u>\$ 6,641,539</u>	<u>\$ 8,798,843</u>	<u>\$ 1,872,890</u>	<u>\$ 13,567,492</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

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
2020	\$ 1,366,790	\$ 318,628	\$ 1,685,418
2021	1,400,237	283,963	1,684,200
2022	1,439,374	247,907	1,687,281
2023	1,473,843	210,849	1,684,692
2024	1,513,652	172,914	1,686,566
2025 – 2029	5,073,270	313,671	5,386,941
2030 – 2033	174,500	3,264	177,764
	<u>\$ 12,441,666</u>	<u>\$ 1,551,196</u>	<u>\$ 13,992,862</u>

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

Description of governmental fund type long-term obligations:

Note payable – TD Bank Capital Improvement Refunding Revenue Note Series 2010A, monthly principal payments of \$12,500 plus interest fixed at 3.00% through December 2030, collateralized by non-ad valorem revenues of the Town.	\$ 1,674,500
Note payable – TD Bank Capital Improvement Refunding Revenue Note Series 2014, monthly payments of \$54,634 including fixed interest at 2.33% through December 2024, collateralized by non-ad valorem revenues of the Town.	3,236,804
Note payable – TD Bank Public Improvement Revenue Note Series 2013, monthly payments of \$2,553 including fixed interest at 1.64% through September 2020, collateralized by pledged revenues of the Town.	30,362
Note payable – Synovus Bank Capital Improvement Revenue Note, Series 2019, annual principal payments commencing September 1, 2020 and semi-annual interest payments fixed at 2.68% each September 1 and March 1 through September 2027, collateralized by non-ad valorem revenues of the Town.	<u>7,500,000</u>
	<u>\$ 12,441,666</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

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, 2019, are as follows:

	Balance October 1, 2018	Additions	Reductions	Balance, September 30, 2019
Notes payable	\$ 3,453,463	\$ -	\$ 249,631	\$ 3,203,832
Compensated absences	<u>202,403</u>	<u>230,449</u>	<u>215,869</u>	<u>216,983</u>
	<u>\$ 3,655,866</u>	<u>\$ 230,449</u>	<u>\$ 465,500</u>	<u>\$ 3,420,815</u>

Description of proprietary fund type long-term obligations:

Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.7% per annum (Phase 1) and 2.8% per annum (Phase 2), payable in semi-annual principal and interest payments of \$43,025 on November 15 and May 15 through May 15, 2024, uncollateralized.	\$ 399,364
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.05% per annum (Phase 1) and 2.54% per annum (Phase 2), payable in semi-annual principal and interest payments of \$28,218 on October 15 and April 15 through April 15, 2030, uncollateralized.	540,070
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 1.95% per annum, payable in semi-annual principal and interest payments of \$90,019 on March 15 and September 15 through March 15, 2034, uncollateralized.	<u>2,264,398</u>
	<u>\$ 3,203,832</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

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		
	Principal	Interest	Total Debt Service
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	279,621	42,903	322,524
2025 – 2029	1,067,191	143,394	1,210,585
2030 – 2034	799,915	38,473	838,388
	<u>\$ 3,203,832</u>	<u>\$ 457,764</u>	<u>\$ 3,661,596</u>

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

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 \$26,775 and \$46,118 in the water and wastewater and stormwater funds, respectively, for the year ended September 30, 2019. There was no capitalized interest in the water and wastewater or stormwater funds.

10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained insurance from commercial underwriters for all the aforementioned risks, including workers' compensation, for the year ended September 30, 2019.

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

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

11. COMMITMENTS AND CONTINGENCIES

A. Litigation and Other Matters

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

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

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 56 projects estimated to cost \$43 million in 2019 dollars over the next five years.

C. Annexation

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

D. Grant Expenditures

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

12. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

Interfund Transactions and Balances

Individual fund interfund receivable and payable balances at September 30, 2019, were:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General fund	\$ 554,232	\$ -
Law enforcement trust fund	-	(1,462)
Town of Medley Foundation, Inc.	-	(15,383)
Proprietary funds		
Water and wastewater fund	218,780	(418,997)
Stormwater utility fund	-	(337,170)
	<u>\$ 773,012</u>	<u>\$ (773,012)</u>

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

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

Interfund transfers for the year ended September 30, 2019, were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Medley Lakeside Retirement Park Fund	\$ -	\$ 235,260
Police Gun Range Fund		69,254
Police Gun Range Fund		
General Fund	69,254	-
Medley Lakeside Retirement Park Fund		
General Fund	<u>235,260</u>	<u>-</u>
	<u>\$ 304,514</u>	<u>\$ 304,514</u>

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

13. FUND BALANCES

The Town's fund balances are as follows at September 30, 2019:

	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total</u>
Nonspendable				
Prepays	\$ 95,844	\$ -	\$ -	\$ 95,844
Total nonspendable	<u>95,844</u>	<u>-</u>	<u>-</u>	<u>95,844</u>
Restricted				
Law enforcement	<u>-</u>	<u>1,255,143</u>	<u>-</u>	<u>1,255,143</u>
Total restricted	<u>-</u>	<u>1,255,143</u>	<u>-</u>	<u>1,255,143</u>
Committed				
Foundation activities	<u>-</u>	<u>-</u>	<u>87,455</u>	<u>87,455</u>
Total committed	<u>-</u>	<u>-</u>	<u>87,455</u>	<u>87,455</u>
Assigned				
Pension	2,000,000	-	-	2,000,000
Operating transfers	3,000,000	-	-	3,000,000
Working capital	3,000,000	-	-	3,000,000
Retiree health insurance	1,300,000	-	-	1,300,000
Debt service	1,700,000	-	-	1,700,000
Total assigned	<u>11,000,000</u>	<u>-</u>	<u>-</u>	<u>11,000,000</u>
Unassigned	<u>10,411,161</u>	<u>-</u>	<u>-</u>	<u>10,411,161</u>
Total fund balances	<u>\$ 21,507,005</u>	<u>\$ 1,255,143</u>	<u>\$ 87,455</u>	<u>\$ 22,849,603</u>

Town of Medley, Florida
Notes to Financial Statements
September 30, 2019

14. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international financial markets. As of March 31, 2020, the fair value of the investments held in the Town's General Employees' Pension Plan and Police Officers' Retirement Plan at September 30, 2019 had declined by approximately 10% and 15%, respectively. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. As such, management is unable to determine the future impact on the Town's operations and net pension liability.

Subsequent to year end, the Town Council approved an action to discontinue reporting the police gun range as a business-type activity and transfer all assets and operations to an activity of the general fund effective October 1, 2019.

Subsequent to year end, the Town Council approved an amendment to the General Employees' Pension Plan, effective October 1, 2019 (see Note 7). The amendment changes certain provisions of the plan, including benefit rates and retirement eligibility. The cost impact to the Town is actuarially estimated at approximately \$60,000.



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, 2019

	<u>Original Budget</u> (Unaudited)	<u>Budget Amendments</u> (Unaudited)	<u>Final Budget</u> (Unaudited)	<u>Actual</u>	<u>Variance</u> (Unaudited)
Revenues					
Ad valorem taxes	\$ 13,049,918	\$ 455,000	\$ 13,504,918	\$ 13,546,449	\$ 41,531
Utility taxes	1,458,918	-	1,458,918	1,510,150	51,232
Other general taxes	721,136	37,000	758,136	755,167	(2,969)
Intergovernmental	1,046,186	(408,600)	637,586	429,093	(208,493)
Permits, fees, and licenses	4,557,098	1,513,000	6,070,098	5,188,945	(881,153)
Fines and forfeitures	850,000	125,000	975,000	973,965	(1,035)
User charges	280,000	133,000	413,000	444,487	31,487
Miscellaneous	145,000	215,000	360,000	462,725	102,725
Total revenues	<u>22,108,256</u>	<u>2,069,400</u>	<u>24,177,656</u>	<u>23,310,981</u>	<u>(866,675)</u>
Expenditures					
Current operating					
General government	4,993,580	430,000	5,423,580	5,718,377	294,797
Public safety	7,677,346	359,000	8,036,346	8,003,334	(33,012)
Physical environment	1,200,395	67,000	1,267,395	1,289,955	22,560
Human services	1,575,856	(11,000)	1,564,856	1,506,164	(58,692)
Culture and recreation	895,502	-	895,502	853,352	(42,150)
Capital outlay	4,280,000	(1,210,000)	3,070,000	2,101,149	(968,851)
Debt service	892,550	93,333	985,883	999,021	13,138
Total expenditures	<u>21,515,229</u>	<u>(271,667)</u>	<u>21,243,562</u>	<u>20,471,352</u>	<u>(772,210)</u>
Excess of revenues over expenditures	<u>593,027</u>	<u>2,341,067</u>	<u>2,934,094</u>	<u>2,839,629</u>	<u>(94,465)</u>
Other financing sources (uses)					
Proceeds from Issuance of Debt	-	7,500,000	7,500,000	7,500,000	-
Operating transfers – out	(360,000)	(95,000)	(455,000)	(304,514)	150,486
Total other financing sources (uses)	<u>(360,000)</u>	<u>7,405,000</u>	<u>7,045,000</u>	<u>7,195,486</u>	<u>150,486</u>
Excess of revenues over expenditures and other financing sources (uses)	233,027	9,746,067	9,979,094	10,035,115	56,021
Fund balances					
Beginning of year	<u>11,471,890</u>	<u>-</u>	<u>11,471,890</u>	<u>11,471,890</u>	<u>-</u>
End of year	<u>\$ 11,704,917</u>	<u>\$ 9,746,067</u>	<u>\$ 21,450,984</u>	<u>\$ 21,507,005</u>	<u>\$ 56,021</u>

See Independent Auditor's Report.

**Town of Medley, Florida
 Defined Benefit Pension Trust Funds
 Schedules of Funding Progress
 Year Ended September 30, 2019**

Schedules of Funding Progress

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

	<u>Total Pension Liability ("TPL")</u>	<u>Plan Fiduciary Position ("PFP")</u>	<u>Net Pension Liability ("NPL")</u>	<u>PFP as % of TPL</u>	<u>Covered Payroll</u>	<u>NPL as % of Covered Payroll</u>
General Employees' Pension Fund						
September 30, 2019	\$ 25,395,277	\$ 22,310,167	\$ 3,085,110	87.85%	\$ 3,519,216	87.66%
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%

	<u>Total Pension Liability ("TPL")</u>	<u>Plan Fiduciary Position ("PFP")</u>	<u>Net Pension Liability (Asset) ("NPL")/("NPA")</u>	<u>PFP as % of TPL</u>	<u>Covered Payroll</u>	<u>NPL/NPA as % of Covered Payroll</u>
Police Officers' Retirement Fund						
September 30, 2019	\$ 28,504,354	\$ 27,929,291	\$ 575,063	97.98%	\$ 3,017,614	19.06%
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%

	<u>Total OPEB Liability ("TOPEBL")</u>	<u>Plan Fiduciary Position ("PFP")</u>	<u>Net OPEB Liability ("NOPEBL")</u>	<u>PFP as % of TOPEBL</u>	<u>Covered Payroll</u>	<u>NOPEBL as % of Covered Payroll</u>
Other Post Employment Benefits						
September 30, 2019	\$ 11,702,350	\$ -	\$ 11,702,350	- %	\$ 7,106,129	164.68%
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%

See Independent Auditor's Report.

**Town of Medley, Florida
 Defined Benefit Pension Trust Funds
 Schedules of Employer Contributions
 Year Ended September 30, 2019**

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, 2019	\$ 1,000,000	\$ 878,609	113.82%	\$ 3,519,216	28.42%
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, 2019	\$ 1,198,747	\$ 950,548	126.11%	\$ 3,017,614	39.72%
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, 2019	\$ 650,639	\$ 930,340	69.94%	\$ 7,106,129	9.16%
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%

See Independent Auditor's Report.

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, 2019

	<u>2019</u>	<u>2018</u>	<u>September 30,</u> <u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability					
Service cost	\$ 557,035	\$ 579,607	\$ 487,726	\$ 534,369	\$ 449,137
Interest on total pension liability	1,531,213	1,509,225	1,313,621	1,254,523	1,247,292
Differences between expected and actual experience	497,745	(328,364)	331,458	(1,077,646)	816,952
Changes in assumption	305,126	-	744,029	-	-
Changes in benefits	(446,649)	925,718	-	185,340	-
Benefit payments, including refunds of employee contributions	<u>(991,824)</u>	<u>(914,153)</u>	<u>(856,112)</u>	<u>(810,015)</u>	<u>(746,172)</u>
Net change in total pension liability	1,452,646	1,772,033	2,020,722	86,571	1,767,209
Total pension liability, beginning	<u>23,942,631</u>	<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>\$ 25,395,277</u>	<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	\$ 1,000,000	\$ 900,000
Contributions – employee	-	-	-	-	-
Net investment income (loss)	650,837	1,800,515	2,379,107	1,376,386	(217,632)
Benefit payments, including refunds of employee contributions	(991,824)	(914,153)	(856,112)	(810,015)	(746,172)
Administrative expense	<u>(30,318)</u>	<u>(20,331)</u>	<u>(8,241)</u>	<u>(25,394)</u>	<u>(22,481)</u>
Net change in plan fiduciary net position	628,695	1,866,031	2,514,754	1,540,977	(86,285)
Plan fiduciary net position, beginning	<u>21,681,472</u>	<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>\$ 22,310,167</u>	<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>\$ 3,085,110</u>	<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	87.85%	90.56%	89.38%	85.86%	78.55%
Covered employee payroll	\$ 3,519,216	\$ 3,194,438	\$ 3,158,747	\$ 2,845,353	\$ 2,594,629
Net pension liability as a percentage of covered employee payroll	87.66%	70.78%	74.56%	100.13%	165.87%

See Independent Auditor's Report.

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, 2019

Notes to Schedule:

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

Changes of benefit terms:

For measurement date 9/30/19, amounts reported as changes of benefit terms were outlined in the August 6, 2019 Actuarial Impact Statement.

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.
- 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 9/30/19, amounts reported as changes of assumptions resulted from the following changes:
 - Elected officials are now assumed to retire at first eligibility for early retirement, rather than at first eligibility for normal retirement.

- Benefits valued for inactive participants now reflect the cost-of-living adjustment following the valuation date in order to more accurately reflect the benefits that will be paid during the majority of the fiscal year. Previously, benefits valued for these inactives were based on those in effect at the valuation date, without consideration of the COLA effective the following January.

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.

See Independent Auditor's 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, 2019

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

	September 30,				
	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 646,013	\$ 667,394	\$ 658,122	\$ 618,350	\$ 610,822
Interest on total pension liability	2,019,279	1,947,214	1,828,417	1,704,592	1,638,723
Differences between expected and actual experience	315,249	(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	<u>(1,507,784)</u>	<u>(1,304,893)</u>	<u>(1,121,040)</u>	<u>(973,409)</u>	<u>(957,396)</u>
Net change in total pension liability	1,472,757	1,259,983	1,490,319	1,685,053	878,730
Total pension liability, beginning	<u>27,031,597</u>	<u>25,771,614</u>	<u>24,281,295</u>	<u>22,596,242</u>	<u>21,717,512</u>
Total pension liability, ending (a)	<u>\$ 28,504,354</u>	<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	1,000,000	1,011,680	1,050,000	13,000,027
Contributions – state	198,747	262,555	-	110,857	120,321
Contributions – employee	150,881	151,915	152,218	147,835	141,670
Net investment income (loss)	754,218	2,092,303	3,045,917	1,892,371	(50,344)
Benefit payments, including refunds of employee contributions	<u>(1,507,784)</u>	<u>(1,304,893)</u>	<u>(1,121,040)</u>	<u>(973,409)</u>	<u>(957,396)</u>
Administrative expense	<u>(48,088)</u>	<u>(32,350)</u>	<u>(24,940)</u>	<u>(34,180)</u>	<u>(35,551)</u>
Net change in plan fiduciary net position	547,974	2,169,530	3,063,835	2,193,474	518,727
Plan fiduciary net position, beginning	<u>27,381,317</u>	<u>25,211,787</u>	<u>22,147,952</u>	<u>19,954,478</u>	<u>19,435,751</u>
Plan fiduciary net position, ending (b)	<u>\$ 27,929,291</u>	<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>\$ 575,063</u>	<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	97.98%	101.29%	97.83%	91.21%	88.31%
Covered employee payroll	\$ 3,017,614	\$ 3,038,288	\$ 3,044,367	\$ 2,956,688	\$ 2,885,418
Net pension (asset)/liability as a percentage of covered employee payroll	19.06%	-11.51%	18.39%	72.15%	91.56%

See Independent Auditor’s 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, 2019

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, 2019

Schedule of Change in Total OPEB Liability and Related Ratios

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 599,191	\$ 650,769
Interest	571,341	480,589
Differences between expected and actual experience	614,878	-
Changes in assumption	(2,208,794)	(630,808)
Changes in benefits	-	-
Benefit payments	<u>(650,639)</u>	<u>(547,890)</u>
 Net change in total OPEB liability	 (1,074,023)	 (47,340)
 Total OPEB liability, beginning	 <u>12,776,373</u>	 <u>12,823,713</u>
 Total OPEB liability, ending	 <u>\$ 11,702,350</u>	 <u>\$ 12,776,373</u>
 Covered employee payroll	 \$ 7,106,129	 \$ 5,998,463
 Total OPEB liability as a percentage of covered employee payroll	 164.68%	 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 2019	3.58%
FY 2018	4.18%
FY 2017	3.64%

See Independent Auditor's Report.

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedule of Contributions – General Employees’ Pension Fund
Year Ended September 30, 2019

Schedule of Contributions – General Employees’ Pension Fund

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 878,609	\$ 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>1,000,000</u>	<u>900,000</u>
Contribution deficiency (excess)	<u>\$ (121,391)</u>	<u>\$ (99,255)</u>	<u>\$ (19,468)</u>	<u>\$ (14,892)</u>	<u>\$ 8,902</u>
Covered employee payroll	<u>\$ 3,519,216</u>	<u>\$ 3,194,438</u>	<u>\$ 3,158,747</u>	<u>\$ 2,845,353</u>	<u>\$ 2,594,629</u>
Contributions as a percentage of covered employee payroll	<u>28.42%</u>	<u>31.30%</u>	<u>31.66%</u>	<u>35.15%</u>	<u>34.69%</u>

See Independent Auditor’s Report.

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedule of Contributions – Police Officers’ Retirement Fund
Year Ended September 30, 2019

Schedule of Contributions – Police Officers’ Retirement Fund

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 950,548	\$ 929,716	\$ 946,798	\$ 1,014,144	\$ 1,076,688
Contributions in relation to the actuarially determined contributions	<u>1,198,747</u>	<u>1,262,555</u>	<u>1,011,680</u>	<u>1,160,857</u>	<u>1,420,348</u>
Contribution excess	<u>\$ (248,199)</u>	<u>\$ (332,839)</u>	<u>\$ (64,882)</u>	<u>\$ (146,713)</u>	<u>\$ (343,660)</u>
Covered employee payroll	<u>\$ 3,017,614</u>	<u>\$ 3,038,288</u>	<u>\$ 3,044,367</u>	<u>\$ 2,956,688</u>	<u>\$ 2,885,418</u>
Contributions as a percentage of covered employee payroll	<u>39.72%</u>	<u>41.56%</u>	<u>33.23%</u>	<u>39.26%</u>	<u>49.22%</u>

See Independent Auditor’s Report.

Town of Medley, Florida
Defined Benefit Pension Trust Funds
Notes to Required Supplementary Information
Year Ended September 30, 2019

Notes to Required Supplementary Information

	<u>General Employees'</u> <u>Pension Fund</u>	<u>Police Officers'</u> <u>Retirement Fund</u>	<u>Other</u> <u>Post-Employment Benefits</u>
Valuation date	October 1, 2018	October 1, 2018	October 1, 2018
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	N/A
Actuarial assumptions			
Investment rate of return	6.50%	7.50%	3.58%
Projected salary increases	3.50%	4.62% – 6.68%	3.50% for General Pension Plan Employees. For Police Pension Plan Employees, increases vary based on age - 6.68% at age 25, 6.07% at age 30, 5.22% at age 40, and 4.62% at age 50
Inflation	2.50%	2.50%	2.50%
Cost-of-living adjustments	Change in price index, 3.00% cap	1% until age 62	N/A

See Independent Auditor's Report.

**Town of Medley, Florida
Defined Benefit Pension Trust Funds
Schedules of Investment Returns
Year Ended September 30, 2019**

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, 2019	2.98%	2.75%
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%

See Independent Auditor's Report.



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, 2019

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 293	\$ 38,451	\$ 38,744
Receivables, net	-	86,358	86,358
Total current assets	293	124,809	125,102
Capital assets, net	428,721	231,694	660,415
Total assets	429,014	356,503	785,517
Deferred Outflows			
Related to other post employment benefits	1,450	10,635	12,085
Related to pensions	20,844	31,418	52,262
Total deferred outflows	22,294	42,053	64,347
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	311,226	10,308	321,534
Total current liabilities	311,226	10,308	321,534
Long-term obligations			
Compensated absences	5,523	13,853	19,376
Other post employment benefits	29,162	207,547	236,709
Net pension liability	30,415	45,846	76,261
Total long-term liabilities	65,100	267,246	332,346
Total liabilities	376,326	277,554	653,880
Deferred Inflows			
Related to other post employment benefits	8,752	44,364	53,116
Related to pensions	15,818	23,839	39,657
Total deferred inflows	24,570	68,203	92,773
Net Position			
Investment in capital assets, net of related debt	428,721	231,694	660,415
Unrestricted	(378,309)	(178,895)	(557,204)
Total net position	\$ 50,412	\$ 52,799	\$ 103,211

See Independent Auditor's Report.

Town of Medley, Florida
Other Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2019

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Operating revenues			
User charges	\$ 192,973	\$ 216,815	\$ 409,788
Miscellaneous, other	<u>6,648</u>	<u>3,141</u>	<u>9,789</u>
Total operating revenues	<u>199,621</u>	<u>219,956</u>	<u>419,577</u>
Operating expenses			
Salaries, wages, and employee benefits	67,352	201,543	268,895
Contractual services, materials, and supplies	334,424	116,972	451,396
Depreciation and amortization	<u>14,695</u>	<u>26,944</u>	<u>41,639</u>
Total operating expenses	<u>416,471</u>	<u>345,459</u>	<u>761,930</u>
Operating loss	<u>(216,850)</u>	<u>(125,503)</u>	<u>(342,353)</u>
Nonoperating revenues			
Grants	-	3,959	3,959
Insurance settlement proceeds	-	81,483	81,483
Interest income	<u>-</u>	<u>1,777</u>	<u>1,777</u>
Total nonoperating revenues	<u>-</u>	<u>87,219</u>	<u>87,219</u>
Loss before transfers	<u>(216,850)</u>	<u>(38,284)</u>	<u>(255,134)</u>
Transfers			
Transfers in	<u>235,260</u>	<u>69,254</u>	<u>304,514</u>
Total transfers	<u>235,260</u>	<u>69,254</u>	<u>304,514</u>
Net income	18,410	30,970	49,380
Net position			
Beginning of year	<u>32,002</u>	<u>21,829</u>	<u>53,831</u>
End of year	<u>\$ 50,412</u>	<u>\$ 52,799</u>	<u>\$ 103,211</u>

See Independent Auditor's Report.

Town of Medley, Florida
Other Proprietary Funds
Combining Statement of Cash Flows
Year Ended September 30, 2019

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Operating activities			
Receipts from customers and users	\$ 192,973	\$ 143,820	\$ 336,793
Payments to suppliers	(334,159)	(122,014)	(456,173)
Payments to employees	(61,855)	(204,679)	(266,534)
Other receipts	6,648	3,141	9,789
Net cash used in operating activities	<u>(196,393)</u>	<u>(179,732)</u>	<u>(376,125)</u>
Noncapital financing activities			
Proceeds from insurance claim	-	81,483	81,483
Transfers from other funds	235,260	69,254	304,514
Proceeds from operating grants	-	3,959	3,959
Change in due from/to other funds	<u>(5,924)</u>	<u>(40,275)</u>	<u>(46,199)</u>
Net cash provided by noncapital financing activities	<u>229,336</u>	<u>114,421</u>	<u>343,757</u>
Capital and related financing activities			
Acquisition of capital assets	<u>(33,005)</u>	<u>(139,944)</u>	<u>(172,949)</u>
Net cash used in capital and related financing activities	<u>(33,005)</u>	<u>(139,944)</u>	<u>(172,949)</u>
Investing activities			
Interest income received	<u>-</u>	<u>1,777</u>	<u>1,777</u>
Net cash provided by investing activities	<u>-</u>	<u>1,777</u>	<u>1,777</u>
Net change in cash and cash equivalents	(62)	(203,478)	(203,540)
Cash and cash equivalents	<u>355</u>	<u>241,929</u>	<u>242,284</u>
Beginning of year			
End of year	<u>\$ 293</u>	<u>\$ 38,451</u>	<u>\$ 38,744</u>

See Independent Auditor's Report.

Town of Medley, Florida
Other Proprietary Funds
Combining Statement of Cash Flows
Year Ended September 30, 2019

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (216,850)	\$ (125,503)	\$ (342,353)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	14,695	26,944	41,639
Bad debt expense	-	2,400	2,400
Changes in			
Receivables	-	(72,994)	(72,994)
Prepaid expenses	10,336	-	10,336
Deferred outflows of resources	(13,473)	(24,251)	(37,724)
Accounts payable and accrued liabilities	(10,071)	(7,443)	(17,514)
Compensated absences	323	(4,460)	(4,137)
Other post employment benefits	(2,849)	(20,900)	(23,749)
Deferred inflows of resources	6,113	30,963	37,076
Net pension liability	15,383	15,512	30,895
	<u>15,383</u>	<u>15,512</u>	<u>30,895</u>
Net cash used in operating activities	<u>\$ (196,393)</u>	<u>\$ (179,732)</u>	<u>\$ (376,125)</u>

See Independent Auditor's Report.



SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION

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

Honorable Mayor and Town Council,
Town of Medley, Florida:

We have audited, 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, 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 18, 2020.

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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items to be material weaknesses (items 2019-01 and 2019-02.)

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 as items to be significant deficiencies (items 2019-03 through 2019-05.)

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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

June 18, 2020

Town of Medley, Florida
Schedule of Findings and Responses
Year Ended September 30, 2019

MATERIAL WEAKNESSES

2019-01 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: Journal entries can be prepared and posted by one person without review and approval. Only two employees can prepare manual journal entries. These two individuals, the finance and assistant finance directors, are the only ones with access to preparing journal entries and the only ones who even know how to prepare and post the entries. We tried having the person not preparing the entries post them, but we found this is cumbersome and at times too disruptive to the other person. All other entries are integrated from different accounting modules and are posted automatically.

We mitigate this by preparing reconciliations of banks, monthly aging reports, monthly fixed asset reports which ensure that the journal entries prepared are proper and timely.

Interim financial reports are prepared on a regular basis and presented to Council members individually. The interim reports are limited as finance does not have the necessary information to project capital expenditures until the next years' budget is presented. It is an issue the Town is resolved to remedy but may need additional staff in the Capital Improvement Department to compile the information in an accurate and timely manner.

2019-02 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 \$3.3 million are not included in the Town's capital assets.

See Independent Auditor's Report.

Town of Medley, Florida
Schedule of Findings and Responses
Year Ended September 30, 2019

Recommendation: The Town should continue to vigorously pursue the conveyance of completed Town infrastructure constructed by third parties.

Views of responsible officials and planned corrective actions: Conveyance of pump stations and acquisition of right of ways are long-term programs 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

2019-03 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. There were also several charges for use of toll roads without any explanation for business purpose of the charges.
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. Although the auditors have recommended that credit card purchases be limited, the Town Council by motion, voted to issue additional credit cards to Department Heads. The Department Heads wanted more flexibility in purchasing and the Town Council agreed.

Although additional credit cards were issued it was emphasized that Town Purchasing Procedures need to be followed.

See Independent Auditor's Report.

Town of Medley, Florida
Schedule of Findings and Responses
Year Ended September 30, 2019

2019-04 Late Vendor Invoices

Criteria: Effective internal controls over financial reporting require that all invoices from vendors be provided to the finance department timely to ensure purchases are recorded in the proper period.

Condition: There were several material invoices pertaining to purchases made and services rendered during the fiscal year under audit which were not included in the original accounts payable balances provided to us before fieldwork. These invoices required adjusting entries to be made to the financial statements several months after fiscal year-end.

Cause: There is no standardized process in place to ensure that vendor invoices received are provided to the finance department timely so that the purchases are recorded in the proper period.

Effect: The Town could potentially misstate the financial statements by not recording liabilities that exist at the balance sheet date and are not known by the finance department until after the financial statements have been issued.

Recommendation: The Town should standardize its procedures for submitting vendor invoices timely to the finance department.

Views of responsible officials and planned corrective actions: A number of material invoices from one department were presented to the Accounts Payable Department several months after the year end and after audit field work was completed. Although these invoices were accrued before the issuance of the financial statements, there existed a condition that certain material amounts were not recorded in a timely manner.

This condition was solved by hiring an additional employee in the department in question.

2019-05 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 timely.

Condition: During our review of the Town's grant revenues in the prior year, we noted a request for reimbursement 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.

See Independent Auditor's Report.

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	2018-01	Not corrected	Yes – Item 2017-01
Capital Assets	2018-02	Partially corrected	Yes – Item 2017-02
Purchasing Procedures	2018-03	Not corrected	Yes – Item 2017-03
Cash Disbursements	2018-04	Corrected	Yes – Item 2017-04
Grant Reimbursements	2018-05	Not corrected	No

See Independent Auditor’s Report.

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, 2019, and have issued our report thereon dated June 18, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 18, 2020, 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 91.

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, 2019, 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, 2019. 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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

June 18, 2020

INDEPENDENT ACCOUNTANT'S 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, 2019. 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, 2019, 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, 2019.

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

WithumSmith+Brown, PC

June 18, 2020