

**TOWN OF MEDLEY, FLORIDA**  
**FINANCIAL SECTION, REQUIRED SUPPLEMENTARY**  
**INFORMATION, COMBINING FUND STATEMENTS,**  
**AND SUPPLEMENTARY FINANCIAL REPORTS**  
**COMPLIANCE SECTION**  
**Year Ended September 30, 2011**

TOWN OF MEDLEY, FLORIDA

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## Independent Auditors' Report

Honorable Mayor and Town Council  
Town of Medley, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Medley, Florida (the "Town"), as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited each fiduciary fund type of the Town as of and for the year ended September 30, 2011, as displayed in the Town's basic financial statements. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2012, on our consideration of the Town of Medley, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the defined benefit pension information on pages 3 through 13 and 49 through 51 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, 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.

Honorable Mayor and Town Council  
Town of Medley, Florida

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Medley, Florida's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Querett Warmus Durkee Osburn Henning*

Orlando, Florida  
May 17, 2012

TOWN OF MEDLEY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2011

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, 2011.

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

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$173,592,449 (*net assets*). Of this amount, \$18,877,677 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to residents and creditors.
- During the fiscal year, the Town's total net assets increased by \$996,667 or by approximately 0.6%. This is comprised of a decrease of \$893,785 in governmental activities and an increase of \$1,890,452 in business-type activities.
- The decrease in governmental activities was due to: (1) the decrease in ad valorem revenues of \$50,583, a direct result of a decrease in assessed property values, and the current economic conditions; (2) reduced investment balances and rates causing a decrease in investment earnings of \$113,502; (3) the OPEB reporting requirements and the related health insurance adjustment, based on the actuarial valuation, which increased the liability and decreased net assets by \$130,103; (4) an increase of \$192,735 in human services expenditures related to an increase in the cost of hot meals and homecare services for senior citizens; (5) decrease in franchise fees and other general taxes of \$72,867; and (6) an increase in public safety expenditures of \$349,816, which includes approximately \$80,000 in non budgeted forfeiture expenditures and an increase in pension costs of \$94,751. Positive variances affecting the governmental net assets include a decrease in general government expenditures of \$1,590,011. The decrease was due to the termination of the mitigation payments made to Miami-Dade on annexed lands and a decrease in the annual required cost to the Town's general employee pension plan.
- The increase in business-type activities was mostly attributable to an increase in revenues from the re-measurement of stormwater utility accounts resulting in an increase in user charges of \$124,736 in the stormwater utility fund as well as receiving \$563,139 in capital grants. There was also a decrease in expenses, mostly attributable to lower payroll costs, a decrease in pension costs, a decrease in professional fees expense, and a decrease in water purchased from Miami-Dade County. The Town's water loss prevention program has also increased the profitability of the water and wastewater utility.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$12,561,812, a decrease of \$55,079 in comparison with the prior year. Of this amount \$10,101,897, is *available for spending* at the government's discretion (*assigned or unassigned fund balance*) of which \$5.5 million has been assigned for future projects and expenditures consisting of, \$2.9 million for pension and other post retirement benefits, \$2.1 million for working capital, and \$0.5 million for debt service.
- The Town's total long-term obligations decreased by \$231,791. This was due to refinancing the Town's Bank United loan with TD Bank, resulting in better repayment terms. The debt service on this loan will be repaid over a 20 year period. There was also a decrease in amounts due for compensated absences and other repayments of debt.
- The total fair value of the Town's unrestricted cash and investments at September 30, 2011, was \$20,397,994, an increase of \$2,151,771 from the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## TOWN OF MEDLEY, FLORIDA

### MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

#### Overview of the Financial Statements – Continued

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

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

The Town maintains two 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 Town of Medley Foundation, Inc. which is considered to be a special revenue fund.

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

The basic governmental fund financial statements can be found on pages 16 and 17 of this report.

**Proprietary funds.** The Town maintains four different types of proprietary or enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Wastewater Fund, its Stormwater Utility Fund, its Medley Lakeside Retirement Park Fund, and its Police Gun Range Fund.

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

The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED

**Overview of the Financial Statements – Continued**

**Fund financial statements – continued**

**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 of Medley, Florida’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 22 and 23 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 24 through 47 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 49 through 51 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 53 through 55 of this report.

**Government-Wide Financial Analysis**

The table below summarizes the statements of net assets:

Town of Medley, Florida’s Net Assets

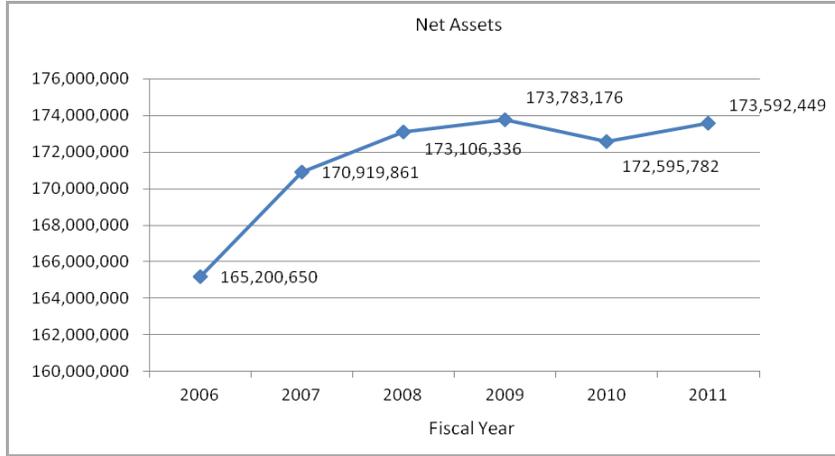
	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2011	2010	2011	2010	2011	2010		
Current assets	\$ 12,826,362	\$ 12,644,508	\$ 10,932,925	\$ 9,014,840	\$ 23,759,287	\$ 21,659,348	\$ 2,099,939	9.7 %
Noncurrent assets	319,189	654,189	753,469	698,974	1,072,658	1,353,163	(280,505)	(20.7)
Capital assets, net	139,248,032	140,330,704	23,519,757	23,894,507	162,767,789	164,225,211	(1,457,422)	(0.9)
Total assets	152,393,583	153,629,401	35,206,151	33,608,321	187,599,734	187,237,722	362,012	0.2
Long-term liabilities outstanding	7,645,726	7,990,100	3,723,467	3,581,044	11,369,193	11,571,144	(201,951)	(1.7)
Other liabilities	881,502	879,161	1,756,590	2,191,635	2,638,092	3,070,796	(432,704)	(14.1)
Total liabilities	8,527,228	8,869,261	5,480,057	5,772,679	14,007,285	14,641,940	(634,655)	(4.3)
Net assets:								
Investment in capital assets, net of related debt	132,591,737	133,708,365	19,663,120	20,050,045	152,254,857	153,758,410	(1,503,553)	(1.0)
Restricted	2,459,915	3,306,562	-	-	2,459,915	3,306,562	(846,647)	(25.6)
Unrestricted	8,814,703	7,745,213	10,062,974	7,785,597	18,877,677	15,530,810	3,346,867	21.5
Total net assets	\$ 143,866,355	\$ 144,760,140	\$ 29,726,094	\$ 27,835,642	\$ 173,592,449	\$ 172,595,782	\$ 996,667	0.6 %

TOWN OF MEDLEY, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED

**Government-Wide Financial Analysis – Continued**

The following chart reports the Town’s total net asset balances from fiscal year 2006 through 2011:



As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Town of Medley, Florida, assets exceeded liabilities by \$173,592,449 at September 30, 2011, an increase of \$996,667 from the prior fiscal year. This is a 0.6% increase from last years’ net assets of \$172,595,782.

The largest portion of the Town of Medley, Florida’s net assets, \$152,254,857, or 87.7%, 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 assets, \$2,459,915, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$18,877,677, 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 assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Governmental and business-type activities.** Governmental activities decreased the Town of Medley, Florida’s net assets by \$893,785, whereas business-type activities increased the Town of Medley, Florida’s net assets by \$1,890,452. This resulted in an increase in total net assets of \$996,667 or a less than 1% increase from the prior year.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

**Government-Wide Financial Analysis – Continued**

**Governmental and business-type activities – continued**

The table below summarizes the statements of activities:

Town of Medley, Florida

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	Year Ended September 30, 2011	2010	Year Ended September 30, 2011	2010	Year Ended September 30, 2011	2010		
Revenues:								
Program revenues:								
Fees, fines, and charges for services	\$ 1,700,769	\$ 1,676,758	\$ 7,070,587	\$ 6,999,319	\$ 8,771,356	\$ 8,676,077	\$ 95,279	1.1 %
Capital grants and contributions	748,700	192,600	563,139	97,411	1,311,839	290,011	1,021,828	352.3
General revenues:								
Ad valorem taxes	9,961,355	10,011,938	-	-	9,961,355	10,011,938	(50,583)	(0.5)
Utility taxes	1,051,609	992,777	-	-	1,051,609	992,777	58,832	5.9
Franchise fees	900,737	923,712	-	-	900,737	923,712	(22,975)	(2.5)
Other general taxes	676,296	726,188	-	-	676,296	726,188	(49,892)	(6.9)
Intergovernmental	211,341	202,204	-	-	211,341	202,204	9,137	4.5
Investment earnings	115,424	228,926	76,547	155,006	191,971	383,932	(191,961)	(50.0)
Other	131,594	144,210	-	-	131,594	144,210	(12,616)	(8.7)
Internal activity:								
Transfers	(174,000)	(157,931)	174,000	157,931	-	-	-	-
Total revenues and transfers	<u>15,323,825</u>	<u>14,941,382</u>	<u>7,884,273</u>	<u>7,409,667</u>	<u>23,208,098</u>	<u>22,351,049</u>	<u>857,049</u>	<u>3.8</u>
Expenses:								
General government	7,167,807	8,757,818	-	-	7,167,807	8,757,818	(1,590,011)	(18.2)
Public safety	6,164,673	5,814,857	-	-	6,164,673	5,814,857	349,816	6.0
Physical environment	761,669	756,807	-	-	761,669	756,807	4,862	0.6
Human services	1,110,094	917,359	-	-	1,110,094	917,359	192,735	21.0
Culture and recreation	805,011	777,182	-	-	805,011	777,182	27,829	3.6
Interest	208,356	288,719	105,136	90,655	313,492	379,374	(65,882)	(17.4)
Water and wastewater	-	-	3,936,712	4,266,339	3,936,712	4,266,339	(329,627)	(7.7)
Stormwater utility	-	-	1,410,875	1,240,233	1,410,875	1,240,233	170,642	13.8
Medley retirement park	-	-	342,224	337,138	342,224	337,138	5,086	1.5
Police gun range	-	-	198,874	291,336	198,874	291,336	(92,462)	(31.7)
Total expenses	<u>16,217,610</u>	<u>17,312,742</u>	<u>5,993,821</u>	<u>6,225,701</u>	<u>22,211,431</u>	<u>23,538,443</u>	<u>(1,327,012)</u>	<u>(5.6)</u>
Increase (Decrease) in Net Assets	(893,785)	(2,371,360)	1,890,452	1,183,966	996,667	(1,187,394)	2,184,061	183.9
Net Assets, beginning of year	<u>144,760,140</u>	<u>147,131,500</u>	<u>27,835,642</u>	<u>26,651,676</u>	<u>172,595,782</u>	<u>173,783,176</u>	<u>(1,187,394)</u>	<u>(0.7)</u>
Net Assets, end of year	<u>\$ 143,866,355</u>	<u>\$ 144,760,140</u>	<u>\$ 29,726,094</u>	<u>\$ 27,835,642</u>	<u>\$ 173,592,449</u>	<u>\$ 172,595,782</u>	<u>\$ 996,667</u>	<u>0.6 %</u>

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

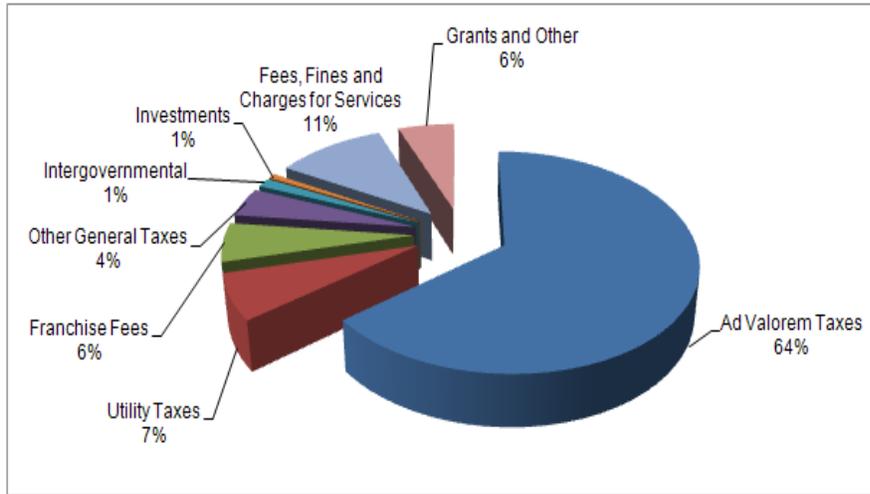
**Government-Wide Financial Analysis – Continued**

**Governmental activities.** Governmental activities decreased the Town's net assets by \$893,785.

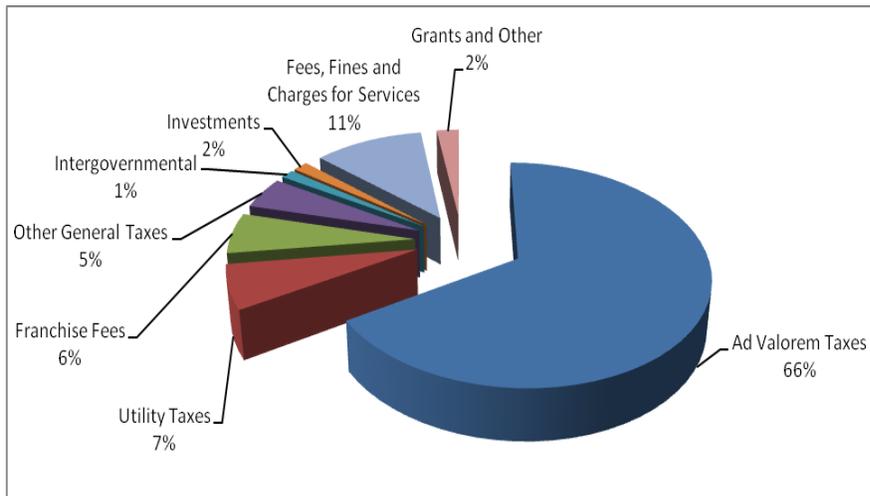
**Revenues.** The following chart shows the amounts of program and general revenues for fiscal years 2011 and 2010:

Revenues by Source – Governmental Activities  
For the Years Ended September 30, 2011 and 2010, respectively

**2011**



**2010**



The Town is heavily reliant on property taxes to support governmental functions. Property taxes provided 64% of the Town's total revenues as compared to 66% in fiscal year 2010. Other taxes, which include communications taxes, provided 4% of the Town's total revenues as compared to 5% in fiscal year 2010. Franchise fees and utility taxes provided 13% of the revenues which is the same as last fiscal year.

Capital grants provided 6% of total revenues as compared to 2% in fiscal year 2010. This amounted to an increase of \$556,100 from last year and accounts for most of the increase in total revenues from last fiscal year. Investment earnings decreased by \$113,502 due to low interest rates.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

**Government-Wide Financial Analysis – Continued**

**Governmental activities – continued**

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

	Total Cost of Services	Percentage of Total
General government	\$ 7,167,807	44.2 %
Public safety	6,164,673	38.0
Physical environment	761,669	4.7
Human services	1,110,094	6.8
Culture and recreation	805,011	5.0
Interest	208,356	1.3
	<u>\$ 16,217,610</u>	<u>100.0 %</u>

General government expenses decreased \$1,590,011 from fiscal year 2010. The decrease is attributable to lower wages paid, a decrease in pension costs, a decrease in insurance costs, a decrease in County mitigation payments, and a decrease in professional fees. Public safety expenses increased by \$349,816 from fiscal year 2010. The increase is attributable to increased wages, increased pension costs, non budgeted forfeiture expenditures and vehicle maintenance costs. Human services increased by \$192,735 due to an increase in senior services. Other departments reflected little change from last year.

**Business-type activities.** Business-type activities increased the Town of Medley's net assets by \$1,890,452.

**Overall analysis of major funds.** The Town reports two major enterprise funds and two non-major funds (Lakeside Retirement Park Fund and Police Gun Range Fund). The net income for each major enterprise fund was as follows for fiscal year 2011 and 2010:

	Fiscal Year	
	2011	2010
Water and Wastewater	\$ 818,246	\$ 428,308
Stormwater Utility	<u>1,017,684</u>	<u>833,298</u>
	<u>\$ 1,835,930</u>	<u>\$ 1,261,606</u>

The following includes an analysis of the fiscal year 2011 financial activities for each fund:

- The water and wastewater fund had an increase in net assets of \$818,246. Operating revenues decreased by \$74,294 from the prior year. This was offset by grants of \$184,092. Operating expenses decreased by \$329,627 from the prior year. This is mostly attributable to lower wages, pension costs, water purchases from the County and professional fees.
- The stormwater utility fund had an increase in net assets of \$1,017,684. The addition of new customers and re-measurement of the utility charge resulted in additional charges of \$115,061. Grants accounted for \$379,047 in additional revenues. Operating expenses increased by \$170,642 from the prior year. This was due mostly to infiltration of storm water into the Town's sewer system. In fiscal year 2011 there were 4-5 stormwater projects in progress of which 2-3 should be completed in fiscal year 2012.

**Non-major fund – Lakeside Retirement Park.** There was a transfer from the general fund to the Medley lakeside retirement park of \$174,000 which is 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 general fund continue to support the retirement park's operations as needed.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED

**Financial Analysis of the Government’s Funds**

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

	Governmental Funds		
	General Fund	Town of Medley Foundation, Inc.	Total
Revenues	\$ 15,464,311	\$ 33,514	\$ 15,497,825
Expenditures	(15,358,132)	(55,166)	(15,413,298)
Other financing sources (uses), net	(139,606)	-	(139,606)
	<u>\$ (33,427)</u>	<u>\$ (21,652)</u>	<u>\$ (55,079)</u>

**Governmental funds.** The focus of the Town of Medley, Florida’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 of Medley, Florida’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.

As of the end of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$12,561,812, a decrease of \$55,079 in comparison with the prior year. Intergovernmental revenues increased \$565,237. This is a result of increased capital grant revenues from the prior year. There were also increases in utility taxes, permits, fees and licenses, and user charges. Although there were decreases in Ad valorem revenues, other general taxes, fines and forfeitures, and other revenue, total revenue increased \$398,512.

Total expenditures decreased by \$1,087,397. This is attributable to lower wages, lower pension costs and professional fees, and the termination of the County mitigation expense.

The general fund is the chief operating fund of the Town of Medley, Florida. 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 \$10,101,897. 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 65.5% of total general fund expenditures.

**Proprietary funds.** The Town of Medley, Florida’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 assets for all enterprise fund statements was \$1,890,452. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Medley, Florida’s business-type activities.

**General Fund Budgetary Highlights**

The General Fund’s budget was amended to reflect an increase in revenues of \$7,225,353 and an increase in expenditures of \$6,614,184. The net result was to decrease the use of reserves to balance the budget by \$611,169. The amended budget includes increasing revenues for grants and permits, fees and licenses. Expenditure increases include public safety, human services, and culture and recreation. Budgeted department expenditures which decreased were general government and physical environment. Also, the budget was amended to reflect the issuance of a \$6.9 million refunding note, the proceeds of which were used to pay off the existing debt.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED

**General Fund Budgetary Highlights – Continued**

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

- Actual ad valorem collections were higher than budgeted because of lower than expected value adjustments reducing assessed values and collections of delinquent taxes.
- State and local-shared revenues were lower than budgeted due to the current economic conditions that are currently affecting the nation. Sales tax revenue, communication service tax revenue, and other revenue have been greatly affected since they are based on consumer spending.
- Fines and forfeitures were higher than budgeted. Budgeted amounts for this revenue source are based on prior experience and amounts can vary significantly from year to year.
- Permits fees, and licenses revenues were higher than budgeted as a result of increased construction activity in the Town.
- Included in miscellaneous revenues is interest on investments which is lower than budgeted.
- Police revenues from services and reimbursements were higher than budgeted.
- The Town’s departments were efficient in staying under budgeted amounts by a total of \$279,488 savings in actual expenditures when compared to budgeted amounts. This was due to vacant positions not being filled, limiting the amount of over-time worked, offsetting higher health insurance premiums with greater deductibles and co-pays, reductions in other insurance premiums such as casualty and workers compensation insurance, and a reduction in pension costs for the general employee plan.
- Capital outlay was lower than budgeted due to the delay in the construction of certain major projects such as park and roadway improvements.

Additional information on budgetary comparisons between the final budget and actual results can be found on page 49 of this report.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Medley, Florida’s investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$162,767,789 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, water, wastewater and stormwater utility systems, machinery and equipment, and park facilities.

The table below summarized the investment in capital assets:

Town of Medley, Florida

Capital Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	Total % Change
	September 30, 2011	2010	September 30, 2011	2010	September 30, 2011	2010		
Land and improvements	\$ 3,527,975	\$ 3,527,975	\$ 765,839	\$ 728,478	\$ 4,293,814	\$ 4,256,453	\$ 37,361	0.9 %
Construction in progress	374,430	529,904	934,295	824,876	1,308,725	1,354,780	(46,055)	(3.4)
Buildings and improvements	14,525,800	14,316,215	1,109,887	1,109,887	15,635,687	15,426,102	209,585	1.4
Infrastructure	142,903,429	142,226,629	-	-	142,903,429	142,226,629	676,800	0.5
Machinery, equipment, and vehicles	4,679,705	4,577,641	2,706,381	2,698,572	7,386,086	7,276,213	109,873	1.5
Water and wastewater systems	-	-	23,407,838	23,407,838	23,407,838	23,407,838	-	-
Stormwater systems	-	-	7,165,351	6,761,400	7,165,351	6,761,400	403,951	6.0
Total	166,011,339	165,178,364	36,089,591	35,531,051	202,100,930	200,709,415	1,391,515	0.7
Accumulated depreciation	(26,763,307)	(24,847,660)	(12,569,834)	(11,636,544)	(39,333,141)	(36,484,204)	(2,848,937)	(7.8)
	<u>\$ 139,248,032</u>	<u>\$ 140,330,704</u>	<u>\$ 23,519,757</u>	<u>\$ 23,894,507</u>	<u>\$ 162,767,789</u>	<u>\$ 164,225,211</u>	<u>\$ (1,457,422)</u>	<u>(0.9)%</u>

Additional information on the Town of Medley, Florida’s capital assets can be found in Note 4 on pages 33 through 35 of this report.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED

**Capital Asset and Debt Administration – Continued**

**Long-term obligations.** At year-end, the Town had \$10,512,932 in notes outstanding versus \$10,750,478 last year. New debt acquired amounted to \$7,164,514 which consists of \$273,398 for wastewater improvement related construction and \$6,891,116 related to refinancing the Town’s Bank United loan with TD Bank under a two series refunding note, Capital Improvement Refunding Revenue Note Series 2010A and Capital Improvement Refunding Revenue Note Series 2010B for \$3,000,000 and \$3,891,116, respectively. The refinancing is expected to save the Town, by additional principal payments and lower interest rates, approximately \$516,000 during the first 5 years and approximately \$1.9 million over the life of the loans. Repayments of debt amounted to \$7,402,060 which includes \$6,856,722 related to refinancing. Included in long-term obligations of the governmental fund type is \$794,619 in accrued compensated absence liabilities and \$492,575 in accrued other post employment benefits liabilities.

The following table reports long-term obligation balances at September 30, 2011 and 2010:

	Governmental Activities			
	Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011
Notes payable	\$ 6,906,016	\$ 6,891,116	\$ 7,140,837	\$ 6,656,295
Compensated absences	918,967	-	124,348	794,619
Other post employment benefits	362,472	130,103	-	492,575
	<u>\$ 8,187,455</u>	<u>\$ 7,021,219</u>	<u>\$ 7,265,185</u>	<u>\$ 7,943,489</u>
	Business-Type Activities			
	Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011
Notes payable	\$ 3,785,011	\$ 273,398	\$ 211,123	\$ 3,847,286
Capital leases	59,451	-	50,100	9,351
	<u>\$ 3,844,462</u>	<u>\$ 273,398</u>	<u>\$ 261,223</u>	<u>\$ 3,856,637</u>

Additional information on the Town of Medley, Florida’s long-term debt can be found in Note 9 on pages 41 to 44 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

Over the past three years, the Town has experienced significant losses in ad valorem tax revenue. Between the economic recession that has resulted in lower property values and voter-approved constitutional amendments, the Town’s taxable value has decreased by approximately 13% since 2009.

The operating millage for the fiscal year ending September 30, 2012, is stated at 5.65 mills. This represents a 1.48 % increase over the rolled back rate but remains the same as the 2011 millage rate of 5.65 mills. Since 2003, the Town has been able to reduce millage by 38% from 7.8 mills to 5.65 mills.

Total 2012 departmental expenditures are budgeted \$1,271,434 less than fiscal 2011. These expenditure reductions include a reduction in pension costs, insurance costs, professional fees, County Mitigation payments, vehicle purchases, and overtime paid to employees.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

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

The Town is currently pursuing the annexation of additional lands from Miami-Dade County. Other municipalities have expressed interest in annexing the same lands as the Town. Miami-Dade County has put on hold all annexation applications and it is unknown which or if any of the lands will be awarded to the Town of Medley.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Medley, Florida'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 ASSETS

September 30, 2011

ASSETS	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash and cash equivalents	\$ 6,272,818	\$ 7,660,517	\$ 13,933,335
Investments	3,577,206	2,887,453	6,464,659
Receivables, net	805,177	968,259	1,773,436
Internal balances	591,226	(591,226)	-
Prepaid expenses	1,579,935	7,922	1,587,857
	<u>12,826,362</u>	<u>10,932,925</u>	<u>23,759,287</u>
Restricted assets:			
Cash and cash equivalents	319,189	677,928	997,117
Total restricted assets	<u>319,189</u>	<u>677,928</u>	<u>997,117</u>
Capital assets:			
Capital assets not being depreciated	103,796,618	1,378,533	105,175,151
Capital assets being depreciated, net	35,451,414	22,141,224	57,592,638
Total capital assets	<u>139,248,032</u>	<u>23,519,757</u>	<u>162,767,789</u>
Other assets, net	<u>-</u>	<u>75,541</u>	<u>75,541</u>
TOTAL ASSETS	<u>152,393,583</u>	<u>35,206,151</u>	<u>187,599,734</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	267,206	967,522	1,234,728
Deferred revenue	316,533	133,979	450,512
Liabilities payable from restricted assets	-	521,919	521,919
Notes payable:			
Due within one year	297,763	133,170	430,933
Due after one year	7,645,726	3,723,467	11,369,193
	<u>8,527,228</u>	<u>5,480,057</u>	<u>14,007,285</u>
TOTAL LIABILITIES	<u>8,527,228</u>	<u>5,480,057</u>	<u>14,007,285</u>
NET ASSETS			
Investment in capital assets, net of related debt	132,591,737	19,663,120	152,254,857
Restricted	2,459,915	-	2,459,915
Unrestricted	<u>8,814,703</u>	<u>10,062,974</u>	<u>18,877,677</u>
TOTAL NET ASSETS	<u>\$ 143,866,355</u>	<u>\$ 29,726,094</u>	<u>\$ 173,592,449</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended September 30, 2011

Functions/Programs	Total Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 7,167,807	\$ 1,496,822	\$ 571,938	\$ (5,099,047)	\$ -	\$ (5,099,047)
Public safety	6,164,673	203,947	176,762	(5,783,964)	-	(5,783,964)
Physical environment	761,669	-	-	(761,669)	-	(761,669)
Human services	1,110,094	-	-	(1,110,094)	-	(1,110,094)
Culture and recreation	805,011	-	-	(805,011)	-	(805,011)
Interest on long-term obligations	208,356	-	-	(208,356)	-	(208,356)
Total governmental activities	<u>16,217,610</u>	<u>1,700,769</u>	<u>748,700</u>	<u>(13,768,141)</u>	<u>-</u>	<u>(13,768,141)</u>
<b>Business-Type Activities:</b>						
Water and wastewater utility	4,040,132	4,640,325	184,092	-	784,285	784,285
Stormwater utility	1,412,591	2,009,603	379,047	-	976,059	976,059
Medley lakeside retirement park	342,224	171,127	-	-	(171,097)	(171,097)
Police gun range	198,874	249,532	-	-	50,658	50,658
Total business-type activities	<u>5,993,821</u>	<u>7,070,587</u>	<u>563,139</u>	<u>-</u>	<u>1,639,905</u>	<u>1,639,905</u>
	<u>\$ 22,211,431</u>	<u>\$ 8,771,356</u>	<u>\$ 1,311,839</u>	<u>(13,768,141)</u>	<u>1,639,905</u>	<u>(12,128,236)</u>
<b>General Revenues:</b>						
				9,961,355	-	9,961,355
				1,051,609	-	1,051,609
				676,296	-	676,296
				211,341	-	211,341
				900,737	-	900,737
				115,424	76,547	191,971
				131,594	-	131,594
				(174,000)	174,000	-
				<u>12,874,356</u>	<u>250,547</u>	<u>13,124,903</u>
				(893,785)	1,890,452	996,667
				<u>144,760,140</u>	<u>27,835,642</u>	<u>172,595,782</u>
				<u>\$ 143,866,355</u>	<u>\$ 29,726,094</u>	<u>\$ 173,592,449</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

BALANCE SHEET  
GOVERNMENTAL FUNDS

September 30, 2011

ASSETS	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents	\$ 6,075,407	\$ 197,411	\$ 6,272,818
Investments	3,577,206	-	3,577,206
Receivables, net	805,177	-	805,177
Due from other funds	247,192	-	247,192
Prepaid items	1,579,935	-	1,579,935
Restricted assets – cash and cash equivalents	319,189	-	319,189
Advances to other funds	436,311	-	436,311
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	\$ 13,040,417	\$ 197,411	\$ 13,237,828
	<u>          </u>	<u>          </u>	<u>          </u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	\$ 266,208	\$ 998	\$ 267,206
Deferred revenue	310,033	6,500	316,533
Due to other funds	26,844	65,433	92,277
Total liabilities	<u>603,085</u>	<u>72,931</u>	<u>676,016</u>
Fund Equity:			
Fund balance:			
Nonspendable	1,579,935	-	1,579,935
Restricted	319,189	-	319,189
Committed	436,311	124,480	560,791
Assigned	5,500,000	-	5,500,000
Unassigned	4,601,897	-	4,601,897
Total fund equity	<u>12,437,332</u>	<u>124,480</u>	<u>12,561,812</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 13,040,417	\$ 197,411	\$ 13,237,828
	<u>          </u>	<u>          </u>	<u>          </u>
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets:			
Total fund balance – total governmental funds			\$ 12,561,812
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets of \$166,011,039, net of accumulated depreciation of \$26,763,307, are not financial resources and, therefore, are not reported in the funds			139,248,032
Long-term obligations of \$7,943,489 are not due and payable in the current period and are not reported in the funds			<u>(7,943,489)</u>
Net assets of governmental activities			<u>\$ 143,866,355</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

Year Ended September 30, 2011

	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
<b>Revenues:</b>			
Ad valorem taxes	\$ 9,961,355	\$ -	\$ 9,961,355
Utility taxes	1,051,609	-	1,051,609
Other general taxes	869,367	-	869,367
Intergovernmental	960,041	-	960,041
Permits, fees, and licenses	2,204,488	-	2,204,488
Fines and forfeitures	92,369	-	92,369
User charges	108,002	-	108,002
Miscellaneous	217,080	33,514	250,594
Total revenues	<u>15,464,311</u>	<u>33,514</u>	<u>15,497,825</u>
<b>Expenditures:</b>			
Current operating:			
General government	5,553,029	-	5,553,029
Public safety	5,848,383	-	5,848,383
Physical environment	740,291	-	740,291
Human services	1,074,096	-	1,074,096
Culture and recreation	683,382	55,166	738,548
Capital outlay	966,480	-	966,480
Debt service	492,471	-	492,471
Total expenditures	<u>15,358,132</u>	<u>55,166</u>	<u>15,413,298</u>
Deficiency of Revenues Over Expenditures	<u>106,179</u>	<u>(21,652)</u>	<u>84,527</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from refunding note	6,891,116	-	6,891,116
Debts service - principal	(6,856,722)	-	(6,856,722)
Transfers out	(174,000)	-	(174,000)
Total other financing sources (uses)	<u>(139,606)</u>	<u>-</u>	<u>(139,606)</u>
Deficiency of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>(33,427)</u>	<u>(21,652)</u>	<u>(55,079)</u>
Fund Balances, Beginning of Year	<u>12,470,759</u>	<u>146,132</u>	<u>12,616,891</u>
Fund Balances, End of Year	<u>\$ 12,437,332</u>	<u>\$ 124,480</u>	<u>\$ 12,561,812</u>

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	\$ (55,079)
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 depreciation of \$2,049,152 exceeded capital outlays of \$966,480 in the current period.	(1,082,672)
Change in long-term compensated absences recognized in statement of activities, not recognized as expenditures.	124,348
Change in other post employment benefits liability recognized in statement of activities, not recognized as expenditures.	(130,103)
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 assets and do not result in expense in the statement of activities.	284,115
Proceeds from current refunding of debt	(6,891,116)
Defeasance of debt from proceeds of refunding note issued	<u>6,856,722</u>
Change in net assets of governmental activities	<u>\$ (893,785)</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS

September 30, 2011

ASSETS	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 3,894,020	\$ 3,650,369	\$ 116,128	\$ 7,660,517
Investments	606,236	2,225,163	56,054	2,887,453
Receivables, net	618,183	206,850	16,189	841,222
Due from other governments	105,483	21,554	-	127,037
Due from other funds	24,223	72,765	2,621	99,609
Prepaid expenses	-	-	7,922	7,922
Total current assets	<u>5,248,145</u>	<u>6,176,701</u>	<u>198,914</u>	<u>11,623,760</u>
<b>Noncurrent Assets:</b>				
Restricted assets – cash and cash equivalents	677,928	-	-	677,928
Capital assets, net	16,345,129	6,947,347	227,281	23,519,757
Other assets – loan costs, net	75,541	-	-	75,541
Total noncurrent assets	<u>17,098,598</u>	<u>6,947,347</u>	<u>227,281</u>	<u>24,273,226</u>
<b>TOTAL ASSETS</b>	<u>22,346,743</u>	<u>13,124,048</u>	<u>426,195</u>	<u>35,896,986</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	832,941	107,764	26,817	967,522
Refundable advances	-	133,979	-	133,979
Due to other funds	70,617	178,261	5,646	254,524
Liabilities payable from restricted assets:				
Utility deposits	411,045	-	-	411,045
Deferred developer fees	110,874	-	-	110,874
Current portion of long-term debt:				
Notes payable	123,819	9,351	-	133,170
Advance from other fund	412,553	-	-	412,553
Total current liabilities	<u>1,961,849</u>	<u>429,355</u>	<u>32,463</u>	<u>2,423,667</u>
<b>Long-Term Debt, less current portion:</b>				
Notes payable	3,723,467	-	-	3,723,467
Advance from other fund	23,758	-	-	23,758
Total long-term debt	<u>3,747,225</u>	<u>-</u>	<u>-</u>	<u>3,747,225</u>
<b>TOTAL LIABILITIES</b>	<u>5,709,074</u>	<u>429,355</u>	<u>32,463</u>	<u>6,170,892</u>
<b>NET ASSETS</b>				
Investment in Capital Assets, net of related debt Unrestricted	12,497,843	6,937,996	227,281	19,663,120
	4,139,826	5,756,697	166,451	10,062,974
<b>TOTAL NET ASSETS</b>	<u>\$ 16,637,669</u>	<u>\$ 12,694,693</u>	<u>\$ 393,732</u>	<u>\$ 29,726,094</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS

Year Ended September 30, 2011

	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Operating Revenues:				
User charges	\$ 4,548,442	\$ 2,007,817	\$ 416,817	\$ 6,973,076
Service and hook-up charges	86,065	-	-	86,065
Miscellaneous other	5,818	1,786	3,842	11,446
Total operating revenues	<u>4,640,325</u>	<u>2,009,603</u>	<u>420,659</u>	<u>7,070,587</u>
Operating Expenses:				
Salaries, wages, and employee benefits	1,174,755	386,886	114,529	1,676,170
Contractual services, materials, and supplies	2,092,754	763,796	383,282	3,239,832
Depreciation and amortization	669,203	260,193	43,287	972,683
Total operating expenses	<u>3,936,712</u>	<u>1,410,875</u>	<u>541,098</u>	<u>5,888,685</u>
Operating Income (Loss)	<u>703,613</u>	<u>598,728</u>	<u>(120,439)</u>	<u>1,181,902</u>
Non-Operating Revenues (Expenses):				
Grants	184,092	379,047	-	563,139
Interest income	33,961	41,625	961	76,547
Interest expense	(103,420)	(1,716)	-	(105,136)
Total non-operating revenues (expenses)	<u>114,633</u>	<u>418,956</u>	<u>961</u>	<u>534,550</u>
Income (Loss) Before Transfers	<u>818,246</u>	<u>1,017,684</u>	<u>(119,478)</u>	<u>1,716,452</u>
Transfers:				
Transfers in	-	-	174,000	174,000
Total transfers	<u>-</u>	<u>-</u>	<u>174,000</u>	<u>174,000</u>
Net Income	818,246	1,017,684	54,522	1,890,452
Net Assets, Beginning of Year	<u>15,819,423</u>	<u>11,677,009</u>	<u>339,210</u>	<u>27,835,642</u>
Net Assets, End of Year	<u>\$ 16,637,669</u>	<u>\$ 12,694,693</u>	<u>\$ 393,732</u>	<u>\$ 29,726,094</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

Year Ended September 30, 2011

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers and users	\$ 4,793,700	\$ 1,839,562	\$ 430,645	\$ 7,063,907
Payments to suppliers	(2,282,199)	(733,512)	(382,026)	(3,397,737)
Payments to employees	(1,222,390)	(403,890)	(118,723)	(1,745,003)
Other receipts	5,818	1,786	-	7,604
Net cash provided by (used in) operating activities	<u>1,294,929</u>	<u>703,946</u>	<u>(70,104)</u>	<u>1,928,771</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Increase in current liabilities payable from restricted assets	(2,942)	-	-	(2,942)
Transfers from other funds	-	-	174,000	174,000
Proceeds from operating grants	184,092	-	-	184,092
Change in due from/to other funds	(298,200)	(134,796)	(83,852)	(516,848)
Net cash provided by (used in) noncapital financing activities	<u>(117,050)</u>	<u>(134,796)</u>	<u>90,148</u>	<u>(161,698)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition of capital assets	(85,082)	(471,097)	(37,361)	(593,540)
Repayment of advances from other funds	(367,466)	-	-	(367,466)
Proceeds from capital grants	-	415,500	-	415,500
Increase in loan costs	(61,052)	-	-	(61,052)
Proceeds from sale of assets	2,650	-	-	2,650
Proceeds from issuance of debt	273,398	-	-	273,398
Principal reduction on notes payable	(211,123)	(50,100)	-	(261,223)
Interest paid on notes payable	(103,420)	(1,716)	-	(105,136)
Net cash used in capital and related financing activities	<u>(552,095)</u>	<u>(107,413)</u>	<u>(37,361)</u>	<u>(696,869)</u>
<b>Cash Flows From Investing Activities:</b>				
Redemption of investments	414,078	1,966,656	-	2,380,734
Purchases of investments	(7,430)	(1,106,375)	(1,054)	(1,114,859)
Interest income received	32,182	90,990	961	124,133
Net cash provided by (used in) investing activities	<u>438,830</u>	<u>951,271</u>	<u>(93)</u>	<u>1,390,008</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,064,614	1,413,008	(17,410)	2,460,212
Cash and Cash Equivalents, Beginning of Year	<u>3,507,334</u>	<u>2,237,361</u>	<u>133,538</u>	<u>5,878,233</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,571,948</u>	<u>\$ 3,650,369</u>	<u>\$ 116,128</u>	<u>\$ 8,338,445</u>
<b>Reported as follows in the Statement of Net Assets:</b>				
Cash and cash equivalents	\$ 3,894,020	\$ 3,650,369	\$ 116,128	\$ 7,660,517
Restricted cash and cash equivalents	<u>677,928</u>	<u>-</u>	<u>-</u>	<u>677,928</u>
	<u>\$ 4,571,948</u>	<u>\$ 3,650,369</u>	<u>\$ 116,128</u>	<u>\$ 8,338,445</u>

(Continued)

See accompanying notes.

TOWN OF MEDLEY, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS – CONTINUED

Year Ended September 30, 2011

	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)				
Operating Activities:				
Operating income (loss)	\$ 703,613	\$ 598,728	\$ (120,439)	\$ 1,181,902
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	669,203	260,193	43,287	972,683
Bad debt expense	41,188	28,000	-	69,188
Gain on disposal of assets	(2,650)	-	-	(2,650)
Changes in:				
Receivables	(33,472)	(146,701)	9,986	(170,187)
Due from other governments	192,665	(21,554)	-	171,111
Prepaid expenses	-	8,579	-	8,579
Accounts payable and accrued liabilities	(227,983)	(6,295)	1,256	(233,022)
Compensated absences	(47,635)	(17,004)	(4,194)	(68,833)
Net Cash Provided by (Used in) Operating Activities	\$ 1,294,929	\$ 703,946	\$ (70,104)	\$ 1,928,771

See accompanying notes.

TOWN OF MEDLEY, FLORIDA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

September 30, 2011

	Pension Trust Funds		
ASSETS	General Employees Pension Fund	Police Officers' Retirement Fund	Total
Accounts receivable	\$ -	\$ 5,634	\$ 5,634
Investments at fair value	<u>9,281,214</u>	<u>10,535,313</u>	<u>19,816,527</u>
 TOTAL ASSETS	 <u>9,281,214</u>	 <u>10,540,947</u>	 <u>19,822,161</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	1,204	-	1,204
Advance contributions from Town	<u>1,222,977</u>	<u>234,806</u>	<u>1,457,783</u>
 TOTAL LIABILITIES	 <u>1,224,181</u>	 <u>234,806</u>	 <u>1,458,987</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	 <u>\$ 8,057,033</u>	 <u>\$ 10,306,141</u>	 <u>\$ 18,363,174</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

Year Ended September 30, 2011

	Pension Trust Funds		Total
	General Employees Pension Fund	Police Officers' Retirement Fund	
Additions:			
Contributions:			
Employer	\$ 1,315,711	\$ 1,989,866	\$ 3,305,577
Employee	-	145,827	145,827
Total contributions	1,315,711	2,135,693	3,451,404
Investment loss, including net unrealized loss on investments	(257,534)	(255,351)	(512,885)
Total additions	1,058,177	1,880,342	2,938,519
Deductions:			
Benefit payments	344,635	430,369	775,004
Administrative expenses	7,850	38,991	46,841
Total deductions	352,485	469,360	821,845
Change in net assets	705,692	1,410,982	2,116,674
Net Assets Held in Trust for Pension Benefits:			
Beginning of year	7,351,341	8,895,159	16,246,500
End of year	\$ 8,057,033	\$ 10,306,141	\$ 18,363,174

See accompanying notes.

TOWN OF MEDLEY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2011

**1. Summary of Significant Accounting Policies:**

**A. Nature of Operations**

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

The Town complies with accounting principles generally accepted in the United States of America. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting principles are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended September 30, 2011.

**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 of GASB Statement No. 14, 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 assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**1. Summary of Significant Accounting Policies – Continued:**

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

*Enterprise funds* are used to account for operations that are financed and operated similar to private business enterprises. The Town has two nonmajor enterprise funds: Medley Lakeside Retirement Park Fund and Police Gun Range Fund.

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

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**1. Summary of Significant Accounting Policies – Continued:**

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 non-operating 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, Liabilities, and Net Assets 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 collateral pools collateralize local government deposits and certificates of deposit with the participating depositories. The Town's demand deposits and certificates of deposits 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, 2011, the carrying amount of the Town's deposits was \$14,930,452 and the bank balances of the Town's deposits were \$15,312,803. A portion of the bank balances were covered by federal deposit insurance and the remainder was covered by pledged collateral as required by Florida Statutes. All collateral is pledged in the Town's name and is held by a third party financial institution.

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

(2) Town of Medley's Investment Policies

(a) Credit Risk

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

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

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

(b) Interest Rate Risk

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**1. Summary of Significant Accounting Policies – Continued:**

E. Assets, Liabilities, and Net Assets or Equity – Continued

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

(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 \$844,742 and \$955,468, respectively, in various foreign equities as of September 30, 2011. The foreign holdings account for approximately 9% for each fund’s respective investments. The Town has no investment policy that limits its investment choices as it relates to foreign equities.

(d) Defined Benefit Pension Trust Policy

The Town has established defined pension trust funds for the benefit of qualified Town employees. Investment policies provide for the investment managers, who have full discretion of assets allocated to them, be subject to overall investment guidelines set out in the policies. Manager performance is reviewed by a consultant who provides reports to the governing boards. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds, and mutual funds. The plans address custodial credit risk by providing for the engagement of custodians who accept possession of securities for safekeeping, collect and disburse income, collect principal of sold, matured or called items and provide a periodic accounting to the Town. The general employees’ pension plan presently has allocated 34% of its investments in fixed income securities, 57% in domestic equity, and 9% in international stock. The Police Officers Retirement Fund presently has allocated 34% of its investment in fixed income securities, 57% in domestic equity, and 9% in international equities.

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, 2011, are as follows:

	General Employees Pension Fund	Police Officers’ Retirement Fund
	<u>          </u>	<u>          </u>
Harbor Bond	\$ 831,211	\$ 1,792,046
Mainstay Map I	607,246	-
Stable Asset Fund II	2,132,371	1,837,520
T. Rowe Price Equity – Income	1,413,498	-
T. Rowe Price Growth Stock	1,454,693	-
Thornburg Interntl Value R5	-	955,468
Vanguard 500 Index Admiral DB	-	1,337,864
Vanguard 500 Index Signal DB	631,951	1,305,637
Vanguard Morgan Growth Adml DB	-	1,309,183
	<u>          </u>	<u>          </u>
	\$ 7,070,970	\$ 8,537,718

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**1. Summary of Significant Accounting Policies – Continued:**

E. Assets, Liabilities, and Net Assets or Equity – Continued

(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 non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” See Note 13 for details of interfund transactions, including receivables and payables at year-end.

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

(4) Capital Assets

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

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

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

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

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

(5) Loan Costs

Costs incurred in connection with obtaining financing have been capitalized and are being amortized using the straight-line method over the life of the respective financing. Amortization expense was \$4,393 for the year ended September 30, 2011. Loan costs consist of the following at September 2011:

Loan costs	\$ 87,866
Accumulated amortization	<u>(12,325)</u>
	<u>\$ 75,541</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**1. Summary of Significant Accounting Policies – Continued:**

E. Assets, Liabilities, and Net Assets or Equity – Continued

(6) Deferred Revenue

Deferred revenue recorded in the governmental funds relates to fees received prior to September 30, 2011, that are for fiscal year 2012 occupational and other licenses and other fees.

(7) Refundable Advances

Refundable advances recorded in the proprietary funds are related to advances of grant proceeds.

(8) Deferred Developer Fees

Deferred developer fees consist of amounts collected from Town property owners for the reimbursement to developers for the construction of water and wastewater systems. These amounts will be remitted to the developers.

(9) 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 assets and represents a reconciling item between the fund and government-wide presentations.

(10) Fund Balances – Governmental Funds

As of September 30, 2011, fund balances of the governmental funds are classified as follows:

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**1. Summary of Significant Accounting Policies – Continued:**

E. Assets, Liabilities, and Net Assets or Equity – Continued

(10) Fund Balances – Governmental Funds – Continued

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

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

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 10% – 20% of the actual expenditures in accordance with accounting principles generally accepted in the United States of America (“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 personnel, as well as a defined contribution plan created in accordance with Internal Revenue Code Section 401(a) for certain employees. The Town also offers an optional deferred compensation plan created in accordance with Internal Revenue Code Section 457. The 457 Plan is not included in the Town’s financial statements.

At September 30, 2011, the Town recorded net pension assets related to the General Employees Pension Plan and the Police Officers’ Retirement Plan in its government-wide statement of net assets. The pension assets are a function of annual required contributions, interest, adjustments to the annual required contribution, annual pension costs, and actual employer’s contributions made to the plan and are included in prepaid items. Please refer to Note 7 for further information.

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

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**1. Summary of Significant Accounting Policies – Continued:**

G. Stewardship, Compliance, and Accountability

Budgetary Information

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

Legally Adopted Appropriated Budgets:

- Prior to August 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are held to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council.
- The budget for the general fund is adopted on a basis consistent with GAAP.

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

The Town does not budget for the special revenue fund which accounts for 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. The Mayor is authorized to transfer budget amounts between line items of the authorized budget.

H. Estimates

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

I. Subsequent Events

The Town has evaluated subsequent events through May 17, 2012, the date which the financial statements were available to be issued.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**2. Cash, Cash Equivalents, and Investments:**

Cash and cash equivalents at September 30, 2011, consist of the following:

	Governmental Fund Types		Proprietary Fund Type	Total All Funds	Financial Institution Balance
	General Fund	Special Revenue Fund	Enterprise Funds		
Unrestricted:					
Demand deposits	\$ 1,262,178	\$ -	\$ 2,149,320	\$ 3,411,498	\$ 3,909,061
Money market funds	<u>4,813,229</u>	<u>197,411</u>	<u>5,511,197</u>	<u>10,521,837</u>	<u>10,517,498</u>
	<u>6,075,407</u>	<u>197,411</u>	<u>7,660,517</u>	<u>13,933,335</u>	<u>14,426,559</u>
Restricted:					
Demand deposits	63,894 <sup>3</sup>	-	521,918 <sup>1&amp;4</sup>	585,812	474,939
Money market funds	<u>255,295 <sup>3&amp;5</sup></u>	<u>-</u>	<u>156,010 <sup>2</sup></u>	<u>411,305</u>	<u>411,305</u>
	<u>319,189</u>	<u>-</u>	<u>677,928</u>	<u>997,117</u>	<u>886,244</u>
Total Cash and Cash Equivalents	\$ <u>6,394,596</u>	\$ <u>197,411</u>	\$ <u>8,338,445</u>	\$ <u>14,930,452</u>	\$ <u>15,312,803</u>

<sup>1</sup> Restricted for customer utility deposits

<sup>2</sup> Restricted for debt service

<sup>3</sup> Restricted for law enforcement

<sup>4</sup> Restricted for deferred developer fees

<sup>5</sup> Restricted for transportation

Investments at September 30, 2011, consist of the following:

	Governmental Funds	Proprietary Fund Type	Total All Funds	Financial Institution Balance
	General Fund	Enterprise Funds		
	Cost and Fair Value	Cost and Fair Value	Cost and Fair Value	
Certificates of deposit – unrestricted	\$ <u>3,577,206</u>	\$ <u>2,887,453</u>	\$ <u>6,464,659</u>	\$ <u>6,542,396</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**3. Receivables and Due From Other Governments:**

Receivables and due from other governments consist of the following at September 30, 2011:

	Governmental	Enterprise Funds			Total Enterprise	Total
	Fund	Water and Wastewater	Stormwater Utility	Police Gun Range		
	General Fund					
<b>Receivables:</b>						
User charges	\$ 9,335	\$ 634,514	\$ 321,116	\$ 25,770	\$ 981,400	\$ 990,735
Interest	71,932	13,669	8,734	419	22,822	94,754
Utility taxes	94,698	-	-	-	-	94,698
Franchise fees	142,841	-	-	-	-	142,841
Other	61,583	-	-	-	-	61,583
Total receivables	<u>380,389</u>	<u>648,183</u>	<u>329,850</u>	<u>26,189</u>	<u>1,004,222</u>	<u>1,384,611</u>
<b>Due From Other Governments:</b>						
Miami Dade County – Ad valorem	240,483	-	-	-	-	240,483
State of Florida – Communication services	56,128	-	-	-	-	56,128
State of Florida – Grants	108,026	-	-	-	-	108,026
Other	25,651	105,483	21,554	-	127,037	152,688
Total due from other governments	<u>430,288</u>	<u>105,483</u>	<u>21,554</u>	<u>-</u>	<u>127,037</u>	<u>557,325</u>
Less Allowance for Doubtful Accounts	<u>(5,500)</u>	<u>(30,000)</u>	<u>(123,000)</u>	<u>(10,000)</u>	<u>(163,000)</u>	<u>(168,500)</u>
	<u>\$ 805,177</u>	<u>\$ 723,666</u>	<u>\$ 228,404</u>	<u>\$ 16,189</u>	<u>\$ 968,259</u>	<u>\$ 1,773,436</u>

**4. Capital Assets:**

**A. Changes in Capital Assets**

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance, October 1, 2010	Additions	Dispositions	Transfers	Balance, September 30, 2011
<b>Governmental Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 3,527,975	\$ -	\$ -	\$ -	\$ 3,527,975
Infrastructure	99,894,213	-	-	-	99,894,213
Construction in progress	529,904	46,511	-	(201,985)	374,430
Total capital assets not being depreciated	<u>103,952,092</u>	<u>46,511</u>	<u>-</u>	<u>(201,985)</u>	<u>103,796,618</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	14,316,215	7,600	-	201,985	14,525,800
Infrastructure	42,332,416	676,800	-	-	43,009,216
Transportation equipment	2,147,119	127,217	(133,505)	-	2,140,831
Machinery and equipment	2,430,522	108,352	-	-	2,538,874
Total capital assets being depreciated	61,226,272	919,969	(133,505)	201,985	62,214,721
Accumulated depreciation	<u>(24,847,660)</u>	<u>(2,049,152)</u>	<u>133,505</u>	<u>-</u>	<u>(26,763,307)</u>
Capital assets being depreciated, net	<u>36,378,612</u>	<u>(1,129,183)</u>	<u>-</u>	<u>201,985</u>	<u>35,451,414</u>
Governmental activities – capital assets, net	<u>\$ 140,330,704</u>	<u>\$ (1,082,672)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,248,032</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. Capital Assets – Continued:

A. Changes in Capital Assets – Continued

	Balance, October 1, 2010	Additions	Dispositions	Transfers	Balance, September 30, 2011
Business-Type Activities:					
Capital assets not being depreciated:					
Land:					
Water and wastewater fund	\$ 444,238	\$ -	\$ -	\$ -	\$ 444,238
	<u>444,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,238</u>
Construction in progress:					
Water and wastewater fund	-	65,930	-	-	65,930
Stormwater utility fund	824,876	157,862	-	(114,373)	868,365
	<u>824,876</u>	<u>223,792</u>	<u>-</u>	<u>(114,373)</u>	<u>934,295</u>
Total capital assets not being depreciated	<u>1,269,114</u>	<u>223,792</u>	<u>-</u>	<u>(114,373)</u>	<u>1,378,533</u>
Capital assets being depreciated:					
Land and improvements:					
Medley lakeside retirement park fund	284,240	37,361	-	-	321,601
	<u>284,240</u>	<u>37,361</u>	<u>-</u>	<u>-</u>	<u>321,601</u>
Water, wastewater, and stormwater utility systems:					
Water and wastewater fund	23,407,838	-	-	-	23,407,838
Stormwater utility fund	6,761,400	307,998	-	95,953	7,165,351
	<u>30,169,238</u>	<u>307,998</u>	<u>-</u>	<u>95,953</u>	<u>30,573,189</u>
Buildings and improvements:					
Water and wastewater fund	567,701	-	-	-	567,701
Medley lakeside retirement park fund	299,623	-	-	-	299,623
Police gun range fund	242,563	-	-	-	242,563
	<u>1,109,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,109,887</u>
Transportation equipment:					
Water and wastewater fund	595,910	-	(35,000)	-	560,910
Stormwater utility fund	397,779	-	-	-	397,779
Medley lakeside retirement park fund	3,634	-	-	-	3,634
	<u>997,323</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>962,323</u>
Machinery and equipment:					
Water and wastewater fund	997,353	19,152	-	-	1,016,505
Stormwater utility fund	569,181	5,237	-	18,420	592,838
Medley lakeside retirement park fund	32,874	-	-	-	32,874
Police gun range fund	101,841	-	-	-	101,841
	<u>1,701,249</u>	<u>24,389</u>	<u>-</u>	<u>18,420</u>	<u>1,744,058</u>
Total capital assets being depreciated:					
Water and wastewater fund	25,568,802	19,152	(35,000)	-	25,552,954
Stormwater utility fund	7,728,360	313,235	-	114,373	8,155,968
Medley lakeside retirement park fund	620,371	37,361	-	-	657,732
Police gun range fund	344,404	-	-	-	344,404
	<u>34,261,937</u>	<u>369,748</u>	<u>(35,000)</u>	<u>114,373</u>	<u>34,711,058</u>
Accumulated depreciation:					
Water and wastewater fund	(9,088,183)	(664,810)	35,000	-	(9,717,993)
Stormwater utility fund	(1,816,793)	(260,193)	-	-	(2,076,986)
Medley lakeside retirement park fund	(503,127)	(21,321)	-	-	(524,448)
Police gun range fund	(228,441)	(21,966)	-	-	(250,407)
Total accumulated depreciation	<u>(11,636,544)</u>	<u>(968,290)</u>	<u>35,000</u>	<u>-</u>	<u>(12,569,834)</u>
Capital assets being depreciated, net	<u>22,625,393</u>	<u>(598,542)</u>	<u>-</u>	<u>114,373</u>	<u>22,141,224</u>
Business-type activities – capital assets, net	<u>\$ 23,894,507</u>	<u>\$ (374,750)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,519,757</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**4. Capital Assets – Continued:**

B. Depreciation Expense

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

Governmental Activities:	
General government	\$ 1,565,598
Public safety	337,372
Physical environment	31,870
Human services	47,849
Culture and recreation	<u>66,463</u>
	<u>\$ 2,049,152</u>
Business-type Activities:	
Water and wastewater utility	<u>\$ 664,810</u>
Stormwater utility	<u>\$ 260,193</u>
Medley lakeside retirement park	<u>\$ 21,321</u>
Police gun range	<u>\$ 21,966</u>

**5. Accounts Payable and Accrued Liabilities:**

Accounts payable and accrued liabilities consist of the following at September 30, 2011:

	Governmental Fund		Enterprise Funds				Total Enterprise	Total
	General Fund	Water and Wastewater	Stormwater Utility	Lakeside Retirement Park	Police Gun Range			
Vendors	\$ 117,888	\$ 209,332	\$ 47,929	\$ 10,555	\$ 9,197	\$ 277,013	\$ 394,901	
Salaries and benefits	149,318	136,606	38,481	451	6,614	182,152	331,470	
Compensated absences	-	70,234	21,354	-	-	91,588	91,588	
Interest	-	32,515	-	-	-	32,515	32,515	
DERM taxes	-	384,254	-	-	-	384,254	384,254	
	<u>\$ 267,206</u>	<u>\$ 832,941</u>	<u>\$ 107,764</u>	<u>\$ 11,006</u>	<u>\$ 15,811</u>	<u>\$ 967,522</u>	<u>\$ 1,234,728</u>	

**6. Ad Valorem Tax Revenues:**

The Town levied a millage rate of \$5.65 per \$1,000 of assessed value for the fiscal year 2011 and \$5.65 for the fiscal year 2012. The County of Miami-Dade, Florida, bills and receives payments for all property taxes levied by the Town. Payments are then remitted to the Town.

Ad valorem taxes are levied on property values as of January 1 as assessed on July 1 with the millage rate established during September. The fiscal year for which taxes are levied begins October 1. Taxes are billed in October with a maximum discount available through November 30, and become delinquent April 1. Tax certificates are issued for delinquent taxes by May 31.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**7. Employee Benefit Plans:**

A. Single Employer Defined Benefit Plans

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

- **General Employees Pension Plan:** The Town of Medley’s General Employees Pension Plan provides retirement benefits for substantially all full-time nonsworn police officers and elected officials of the Town. General Employees Pension information in this note is provided as of the latest actuarial valuation, October 1, 2010.
- **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, 2010.

Actuarial valuations are performed annually for the General Employees Pension Plan and biannually for the Police Officers Retirement Plan. For additional information relating to investment policy, basis of accounting, and reported investment values see Note 1.

(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	58	37	95
Retirees and beneficiaries currently receiving benefits	11	6	17
Terminated plan members entitled to but not yet receiving benefits	10	-	10
	<u>79</u>	<u>43</u>	<u>122</u>

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

	<u>General Employees Pension Plan</u>	<u>Police Officers’ Retirement Plan</u>
Year established and governing authority	2003: Town Resolution	2005: Town Ordinance
Determination of contribution requirements	Actuarially	Actuarially
Employer	Actuarially determined	Actuarially determined
Plan members	Non-contributory	5% of covered payroll
Funding of administrative costs	Investment earnings	Investment earnings
Period required to vest	5 years for general employees; immediate for elected officials	10 years
Post-retirement benefit increases	Increases must be approved by Town Council	Increases must be approved by Town Council
Eligibility for distributions	30 years of credited service or age 62 for general employees; 8 years of credited service or age 50 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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**7. Employee Benefit Plans – Continued:**

A. Single Employer Defined Benefit Plans – Continued

(4) Annual Required Contributions

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

	<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, 2010	October 1, 2010
Actuarial cost method	Aggregate	Aggregate
Amortization method	N/A	N/A
Amortization period	N/A	N/A
Actuarial asset valuation method	Fair market value	Four year smooth
Actuarial assumptions:		
Investment rate of return	7%, pre-retirement, 6%, post-retirement	8%
Projected salary increases	Variable	Variable
Post retirement benefit increases	N/A	N/A
Inflation	3%	2.5%
Cost-of-living adjustments	Change in price index	N/A

(5) Annual Pension Costs, Net Pension Obligation, Trend Information, and Reserves

	<u>General Employees Pension Plan</u>			<u>Police Officers’ Retirement Plan</u>		
	Annual Pension Costs	Percentage Contributed	Net Pension Obligation (Asset)	Annual Pension Costs	Percentage Contributed	Net Pension Obligation (Asset)
Year Ended September 30,						
2011	\$1,315,711	106%	\$ (1,222,977)	\$1,989,866	88%	\$ (234,806)
2010	1,371,965	102	(1,138,688)	1,903,146	102	(468,405)
2009	1,397,378	111	(1,110,653)	1,653,252	106	(433,441)
2008	1,078,125	135	(958,031)	1,289,507	123	(332,994)
2007	1,061,492	141	(584,852)	1,228,102	98	30,478

(6) Reserves

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

B. Money Purchase Plan

All of the Town’s full-time employees, except for sworn 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 plans, to hold the trust assets and to perform all non-discretionary functions necessary for the administration of the plans with respect to assets in the plans deposited with the trust.

The Town had originally established separate defined contribution plans for the General Employees, Town Executives, and Town Council under Standard. The executive and council person plans were terminated effective January 1, 2011, and are now participating in the Town of Medley Money Purchase Plan. The general employees plan was terminated effective January 1, 2012. See Note 12.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**7. Employee Benefit Plans – Continued:**

**B. Money Purchase Plan – Continued**

Employees and executives hired prior to January 1, 2011, are eligible to participate from the date of their employment; Council persons are eligible when they begin to serve their elected term.

As of September 30, 2011, there were 66 and 15 active participants in the General Employee Plan and Money Purchase Plan, respectively.

Funding Provisions – Participating plan members can voluntarily contribute a percentage of their annual compensation to the plans, and the Town is required to match such contributions. Prior to January 1, 2011, the Town matching contributions were 14% for the General Employee and Executive plans and 19% for the Council Person plan, regardless of employee contributions. As of January 1, 2011, the Town matching contributions are 5% for both the General Employee and Money Purchase plans, regardless of employee contributions.

Vesting Provision of Town’s Contributions – Under the provisions of the defined contribution money purchase plans, benefits attributable to the Town’s contributions vest at different rates for the employees, executives, and the Council persons, but each are based on years of credited service.

Years of Service	General Employees	Executives and Council Persons
Less than 1 year of service	0%	100%
1 year but less than 2	20%	100%
2 years but less than 3	40%	100%
3 years but less than 4	60%	100%
4 years but less than 5	80%	100%
5 years or more	100%	100%

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 \$139,955 and \$28,707, respectively, to the General Employee and Money Purchase plans, and \$44,346 and \$8,154, respectively, to the former Executive and Council Person plans.

**C. Deferred Compensation Plan**

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

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

(1) Plan Description

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**7. Employee Benefit Plans – Continued:**

D. Post Employment Benefits Other Than Pension – Continued:

(2) Funding Policy

The Town is financing the post employment benefits on a pay-as-you-go basis. For fiscal year 2011, twenty-one retirees and dependents received health care benefits. Annual required contributions amounted to \$328,000 for the current fiscal year, towards which the Town made a contribution of approximately \$162,000. At September 30, 2011, the Town recorded net OPEB obligations of \$492,575 for governmental activities and \$156,425 for business-type activities in its government-wide statement of net assets. The water and wastewater, stormwater utility, and police gun range reported net OPEB obligations at September 30, 2011, of \$116,096, \$34,684, and \$5,645, respectively. The OPEB obligation is a function of annual required contributions, interest, adjustments to the annual required contribution, annual pension costs, and actual employers' contributions made to the plan.

(3) Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 328,000
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	<u>-</u>
Annual OPEB Cost (Expense)	328,000
Employer Contributions	(162,000)
Interest on Employer Contributions	<u>-</u>
Increase in Net OPEB Obligation	166,000
Net OPEB Obligation-beginning of year	<u>483,000</u>
Net OPEB Obligation-end of year	<u>\$ 649,000</u>

No trust or agency fund has been established for the plan and there were no adjustments to the ARC or interest earnings.

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2011, and the preceding two years were as follows (rounded):

<u>Year Ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributions</u>	<u>Net OPEB Obligations</u>
2011	\$ 328,000	49.4%	\$ 649,000
2010	328,000	36.3%	483,000
2009	328,000	16.5%	274,000

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**7. Employee Benefit Plans – Continued:**

(4) Funded Status and Funding Progress

As of September 30, 2009, the date of the most recent actuarial valuation, the unfunded actuarial accrued liability for benefits was \$3,460,071, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,288,925, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 65%. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the September 30, 2009, actuarial valuation, the projected unit credit cost method was used. The ARC reflects a 30-year, level amortization of the unfunded actuarial accrued liability (“AAL”). The actuarial assumptions included a 4.5% investment rate of return and 3% projected salary increases. Annual medical costs are assumed to increase 8% in the first year of valuation, with future annual increases assumed to grade uniformly to 5% over a ten-year period and remain at 5% thereafter.

**8. Operating Leases:**

As Lessor – The Town operates a police gun range which is available for rent to other law enforcement agencies in the area on a day-to-day basis. In the fiscal year ended September 30, 2011, the Town received \$245,690 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, 2011, the Town received \$171,127 in rental income from these sites.

As Lessee – The Town leases approximately 5 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 ninety-nine 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 twenty years with options to renew for three successive periods of twenty 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 THE FINANCIAL STATEMENTS – CONTINUED

**8. Operating Leases – Continued:**

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

Year Ending September 30,	Minimum Lease Payments	Estimated Contingent Rentals	Estimated Total Amount
2012	\$ 60,000	\$ 43,679	\$ 103,679
2013	60,000	46,789	106,789
2014	60,000	49,993	109,993
2015	60,000	53,293	113,293
2016	60,000	56,692	116,692
2017 – 2021	300,000	338,121	638,121
2022 – 2026	300,000	439,753	739,753
2027 – 2029	150,000	263,587	413,587
	<u>\$ 1,050,000</u>	<u>\$ 1,291,907</u>	<u>\$ 2,341,907</u>

Total fiscal 2011 rental expenditures under the ground lease were \$102,619 including \$42,619 of contingent rentals.

Total rents under all operating leases, including short-term, month-to-month rentals, were \$146,841 for the year ended September 30, 2011.

**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, 2011, are as follows:

	Balance, October 1, 2010	Additions	Reductions	Balance, September 30, 2011
Notes payable	\$ 6,906,016	\$ 6,891,116	\$ 7,140,837	\$ <b>6,656,295</b>
Compensated absences	918,967	-	124,348	<b>794,619</b>
Other post employment benefits	362,472	130,103	-	<b>492,575</b>
	<u>\$ 8,187,455</u>	<u>\$ 7,021,219</u>	<u>\$ 7,265,185</u>	<u>\$ <b>7,943,489</b></u>

In December 2010, the Town issued approximately \$6.9 million in a two-series refunding note with interest rates of 69% of the one-month LIBOR (1.95% at the transaction date) and 2.98% fixed for the Series A and Series B notes, respectively. The Town issued the notes to defease the governmental services facility construction note outstanding at the time of approximately \$6.9 million. The refunding reduced total debt service payments over the next 20 years by approximately \$1.9 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1.2 million.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**9. Long-Term Obligations – Continued:**

A. Governmental Fund Type Long-Term Obligations – Continued

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

Fiscal Year	Governmental Fund Type		Total Debt Service
	Principal	Interest	
2012	\$ 297,763	\$ 165,442	\$ 463,205
2013	302,227	158,053	460,280
2014	306,826	150,530	457,356
2015	311,563	142,867	454,430
2016	316,444	135,061	451,505
2017 – 2021	1,660,755	552,897	2,213,652
2022 – 2026	1,806,893	308,860	2,115,753
2027 – 2030	1,653,824	93,808	1,747,632
	<u>\$ 6,656,295</u>	<u>\$ 1,707,518</u>	<u>\$ 8,363,813</u>

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

Description of Governmental Fund Type Long-Term Obligations:

Note Payable – TD Bank Capital Improvement Refunding Revenue Note Series 2010A, monthly principal payments of \$12,500 plus variable interest of 69% of one-month LIBOR (1.92% at September 30, 2011, subject to adjustment monthly through December 2030, collateralized by the full faith and credit of the Town.	\$ 2,874,500
Note Payable – TD Bank Capital Improvement Refunding Revenue Note Series 2010B, monthly payments of \$21,541 including fixed interest at 2.98% subject to adjustment every five years through December 2030, collateralized by the full faith and credit of the Town.	<u>3,781,795</u>
	<u>\$ 6,656,295</u>

B. Proprietary Fund Type Long-Term Obligations

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

Changes in proprietary fund type long-term obligation for the year ended September 30, 2011, are as follows:

	Balance, October 1, 2010	Additions	Reductions	Balance, September 30, 2011
Notes payable	\$ 3,785,011	\$ 273,398	\$ 211,123	\$ <b>3,847,286</b>
Capital leases	<u>59,451</u>	<u>-</u>	<u>50,100</u>	<u><b>9,351</b></u>
	<u>\$ 3,844,462</u>	<u>\$ 273,398</u>	<u>\$ 261,223</u>	<u>\$ <b>3,856,637</b></u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**9. Long-Term Obligations – Continued:**

B. Proprietary Fund Type Long-Term Obligations – Continued

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 semiannual principal and interest payments of \$43,025 on November 15 and May 15 through May 15, 2024, uncollateralized	\$ 934,847
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 semiannual principal and interest payments of \$98,699 on April 15 and October 15 through April 15, 2030, uncollateralized; payments subsidized by a grant agreement with the State of Florida Department of Environmental Protection in the amount of \$70,481 semiannually through maturity	2,912,439
Capital Lease – Master equipment lease, 1 <sup>st</sup> Source Bank, monthly payments of \$4,702 including interest at 4.69% through October 2011, collateralized by underlying equipment	<u>9,351</u>
	<u>\$ 3,856,637</u>

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

<u>Fiscal Year</u>	<u>Proprietary Fund Type</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 133,170	\$ 98,612	\$ 231,782
2013	189,603	93,845	283,448
2014	194,521	88,927	283,448
2015	199,566	83,882	283,448
2016	204,742	78,706	283,448
2017 – 2021	1,106,205	311,035	1,417,240
2022 – 2026	1,081,738	165,147	1,246,885
2027 – 2030	<u>747,092</u>	<u>42,496</u>	<u>789,588</u>
	<u>\$ 3,856,637</u>	<u>\$ 962,650</u>	<u>\$ 4,819,287</u>

The present value of future minimum lease payments under the capital lease at September 30, 2011, is as follows:

Total payments required	\$ 9,386
Less amount representing interest	<u>(35)</u>
Present value of future minimum lease payments	<u>\$ 9,351</u>

Equipment under the capital lease is \$102,646 and is included in capital assets, net of accumulated depreciation of \$68,430.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**9. Long-Term Obligations – Continued:**

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

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 fund. Total interest cost incurred in the water and wastewater fund was \$103,420 for the year ended September 30, 2011. No interest was capitalized in the current year.

**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, 2011.

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

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

**11. Commitments and Contingencies:**

**A. Litigation and Other Matters**

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

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

The Town has retained a consultant 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 13 to 16 projects estimated to cost \$62 million in 2011 dollars over five to ten years.

**C. Mitigation with Miami-Dade County and Annexation**

Prior to fiscal year 2011, the Town was required to make an annual payment for mitigation to Miami-Dade County for certain land annexed to the Town in previous years. In May 2011, an agreement was signed with the County whereby the mitigation payments terminated with the last payments made in fiscal year 2010. However, in fiscal year 2011, the Town made a mitigation payment of \$10,494 relating to final taxable values in 2010. Additionally, the Town pays an allocated portion of the debt service of the County's stormwater utility bond payment as related to annexed lands. For the year ended September 30, 2011, this payment totaled \$49,981.

The Town is currently pursuing the annexation of additional lands which it believes will assist in the long-term growth by an increased tax base and significant job creation, but will cost the Town additional monies for utility line construction and public safety. At this time, the County has put all municipal annexation applications on hold. There is no date set when these applications will again be considered.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**11. Commitments and Contingencies – Continued:**

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. Subsequent Events:**

- On November 14, 2011, the Town amended its post employment benefit options for health care and dental insurance. The eligibility requirements for general employees retiring after November 14, 2011, have been amended as follows:

- 30 years of service regardless of age,
- 20 years of service and be at least 55 years old,
- 10 years of service and be at least 62 years old.

For sworn police officers' retiring after November 14, 2011, the amended requirements are as follows:

- 30 years of service regardless of age,
- 25 years of service and be at least 52 years old
- 20 years of service and be at least 55 years old,
- 10 years of service and be at least 62 years old.

For elected officials the amended requirements are have a combination of 8 years of service as an elected official and employee and be at least age 45.

For all retirees, coverage is limited to the retiree reaching Medicare eligibility or 20 years, whichever is later. Spousal coverage is limited to 10 years or when the retired employee reaches Medicare eligibility, whichever is later. The Town continues to pay 100% of the cost of coverage for both the retired employee and spouse.

- The general employee money purchase plan was terminated effective January 1, 2012. All former general employee plan members are now participating in the Town of Medley Money Purchase Plan. The Town continues to contribute 5% to the plan and vesting is immediate for eligible participants.
- Subsequent to year end, the Town ratified a collective bargaining agreement for sworn police officers effective October 1, 2011, through September 30, 2014, which among other things, increased the pension multiplier to 3%, changed the pension valuation method from the aggregate method to the initial frozen liability method, and changed the pension assumed rate of return to 7.5%, all effective beginning October 1, 2012.
- Subsequent to year end the Town ratified a collective bargaining agreement with general employees effective October 1, 2010, through September 30, 2013, which among other things, changed the pension multiplier in some cases, based on years of service.
- Subsequent to year end, the Town decreased residential water and wastewater rates.

**13. Other Required Individual Fund Disclosures:**

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**13. Other Required Individual Fund Disclosures – Continued:**

A. Interfund Transactions and Balances

Individual fund interfund receivable and payable balances at September 30, 2011, were:

Fund:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General fund	\$ 247,192	\$ 26,844
Special revenue fund	-	65,433
Proprietary funds:		
Water and wastewater fund	24,223	70,617
Stormwater utility fund	72,765	178,261
Medley Lakeside Retirement Park fund	-	3,498
Police gun range fund	2,621	2,148
	<u>\$ 346,801</u>	<u>\$ 346,801</u>

Interfund balances are used as short-term financing of cash flow shortfalls. A portion of the interfund balance between the general fund and the water and wastewater fund is an advance as described in Note 13(B).

Interfund transfers for the year ended September 30, 2011, were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Medley lakeside retirement park fund	\$ -	\$ 174,000
Medley Lakeside Retirement Park Fund:		
General fund	<u>174,000</u>	<u>-</u>
	<u>\$ 174,000</u>	<u>\$ 174,000</u>

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

B. Long-Term Interfund Balance

A promissory note was issued between the Town’s general fund and its water and wastewater fund with an interest rate of 3%. Monthly payments of principal and interest of \$35,000 are due until maturity in October 2012. The balance of this advance at September 30, 2011, was \$436,311.

Future maturities of advance to/from other funds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 412,553	\$ 7,447	\$ 420,000
2013	<u>23,758</u>	<u>59</u>	<u>23,817</u>
	<u>\$ 436,311</u>	<u>\$ 7,506</u>	<u>\$ 443,817</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**14. Fund Balance:**

The Town's fund balances are as follows at September 30, 2011:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Nonspendable:			
Prepays	\$ 1,579,935	\$ -	\$ 1,579,935
Total nonspendable	<u>1,579,935</u>	<u>-</u>	<u>1,579,935</u>
Restricted:			
Law enforcement	284,072	-	284,072
Transportation	35,117	-	35,117
Total restricted	<u>319,189</u>	<u>-</u>	<u>319,189</u>
Committed:			
Advances to enterprise fund	436,311	-	436,311
Foundation activities	-	124,480	124,480
Total committed	<u>436,311</u>	<u>124,480</u>	<u>560,791</u>
Assigned:			
Pension	2,600,000	-	2,600,000
Working capital	2,100,000	-	2,100,000
Retiree health insurance	300,000	-	300,000
Debt service	500,000	-	500,000
Total assigned	<u>5,500,000</u>	<u>-</u>	<u>5,500,000</u>
Unassigned	<u>4,601,897</u>	<u>-</u>	<u>4,601,897</u>
Total fund balances	<u>\$ 12,437,332</u>	<u>\$ 124,480</u>	<u>\$ 12,561,812</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –  
GENERAL FUND

Year Ended September 30, 2011

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance
Revenues:					
Ad valorem taxes	\$ 9,811,020	\$ -	\$ 9,811,020	\$ 9,961,355	\$ 150,335
Utility taxes	1,044,000	(50,000)	994,000	1,051,609	57,609
Other general taxes	910,000	-	910,000	869,367	(40,633)
Intergovernmental	669,000	280,837	949,837	960,041	10,204
Permits, fees, and licenses	2,016,000	77,000	2,093,000	2,204,488	111,488
Fines and forfeitures	65,000	-	65,000	92,369	27,369
User charges	50,000	-	50,000	108,002	58,002
Miscellaneous	225,000	26,400	251,400	217,080	(34,320)
Total revenues	<u>14,790,020</u>	<u>334,237</u>	<u>15,124,257</u>	<u>15,464,311</u>	<u>340,054</u>
Expenditures:					
Current operating:					
General government	6,626,471	(628,140)	5,998,331	5,553,029	(445,302)
Public safety	5,463,238	143,563	5,606,801	5,848,383	241,582
Physical environment	890,413	(16,687)	873,726	740,291	(133,435)
Human services	951,888	64,720	1,016,608	1,074,096	57,488
Culture and recreation	666,203	17,000	683,203	683,382	179
Capital outlay	1,084,000	132,612	1,216,612	966,480	(250,132)
Debt service	478,100	(30,000)	448,100	492,471	44,371
Total expenditures	<u>16,160,313</u>	<u>(316,932)</u>	<u>15,843,381</u>	<u>15,358,132</u>	<u>(485,249)</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>(1,370,293)</u>	<u>651,169</u>	<u>(719,124)</u>	<u>106,179</u>	<u>825,303</u>
Other Financing Sources (Uses):					
Proceeds from refunding note	-	6,891,116	6,891,116	6,891,116	-
Debt service – principal	-	(6,891,116)	(6,891,116)	(6,856,722)	34,394
Transfers out	(149,337)	(40,000)	(189,337)	(174,000)	15,337
Total other financing sources (uses)	<u>(149,337)</u>	<u>(40,000)</u>	<u>(189,337)</u>	<u>(139,606)</u>	<u>49,731</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)					
	<u>(1,519,630)</u>	<u>611,169</u>	<u>(908,461)</u>	<u>(33,427)</u>	<u>875,034</u>
Fund Balances, Beginning of Year	<u>12,470,759</u>	<u>-</u>	<u>12,470,759</u>	<u>12,470,759</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 10,951,129</u>	<u>\$ 611,169</u>	<u>\$ 11,562,298</u>	<u>\$ 12,437,332</u>	<u>\$ 875,034</u>

TOWN OF MEDLEY, FLORIDA

DEFINED BENEFIT PENSION TRUST FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2011

A. Schedules of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Entry Age (PVAB) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
<b><u>General Employees Pension Fund:</u></b>						
October 1, 2010	\$ 8,491,233	\$ 13,719,370	\$ 5,228,137	61.9%	\$ 2,640,787	198.0%
October 1, 2009	6,653,129	12,451,899	5,798,770	53.4%	2,680,416	216.3%
October 1, 2008	4,849,226	11,322,630	6,473,404	42.8%	2,400,099	269.7%
October 1, 2007	4,631,754	9,248,046	4,616,292	50.1%	2,284,596	202.1%
October 1, 2006	2,846,159	7,203,703	4,357,544	39.5%	1,958,983	222.4%
<b><u>Police Officers' Retirement Fund:</u></b>						
October 1, 2010	\$ 8,690,799	\$ 15,864,972	\$ 7,174,173	54.8%	\$ 2,416,247	296.9%
October 1, 2008	5,188,928	12,479,015	7,290,087	41.6%	2,411,734	302.3%
October 1, 2006	2,275,247	6,415,106	4,139,859	35.5%	2,183,767	189.6%
October 1, 2005	-	6,142,903	6,142,903	-%	1,878,695	327.8%
<b><u>Other Post Employment Benefits:</u></b>						
September 30, 2009	\$ -	\$ 3,460,071	\$ 3,460,071	-%	\$ 5,667,673	61.0%

B. Schedules of Employer Contributions:

	Required Contribution	Percentage Contributed	Net Pension/OPEB Obligation (Asset)
<b><u>General Employees Pension Fund:</u></b>			
From October 1, 2010 through September 30, 2011	\$ 1,315,711	106%	\$ (1,222,977)
From October 1, 2009 through September 30, 2010	1,371,965	102%	(1,138,688)
From October 1, 2008 through September 30, 2009	1,397,378	111%	(1,110,653)
From October 1, 2007 through September 30, 2008	1,078,125	135%	(958,031)
From October 1, 2006 through September 30, 2007	1,061,492	141%	(584,952)
<b><u>Police Officers' Retirement Fund:</u></b>			
From October 1, 2010 through September 30, 2011	\$ 1,989,866	88%	\$ (234,806)
From October 1, 2009 through September 30, 2010	1,903,146	102%	(468,405)
From October 1, 2008 through September 30, 2009	1,653,252	106%	(433,441)
From October 1, 2007 through September 30, 2008	1,289,507	123%	(332,994)
From October 1, 2006 through September 30, 2007	1,228,102	98%	30,478
<b><u>Other Post Employment Benefits:</u></b>			
From October 1, 2010 through September 30, 2011	\$ 328,000	49.4%	\$ 648,964
From October 1, 2009 through September 30, 2010	328,000	36.3%	483,333
From October 1, 2008 through September 30, 2009	328,000	16.5%	274,081

TOWN OF MEDLEY, FLORIDA  
 DEFINED BENEFIT PENSION TRUST FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED

Year Ended September 30, 2011

C. Notes to Required Supplementary Information:

	<b>General Employees Pension Fund</b>	<b>Police Officers' Retirement Fund</b>
Valuation date	October 1, 2010	October 1, 2010
Actuarial cost method	Aggregate	Aggregate
Amortization method	N/A	N/A
Amortization period	N/A	N/A
Actuarial asset valuation method	Fair market value	Four year smooth
Actuarial assumptions:		
Investment rate of return	7%, pre-retirement, 6%, post-retirement	8%
Projected salary increases	Variable	Variable
Inflation	3%	2.5%
Cost-of-living adjustments	Change in price index	N/A

## 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 ASSETS

September 30, 2011

ASSETS	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Current Assets:			
Cash and cash equivalents	\$ 4,678	\$ 111,450	\$ 116,128
Investments	-	56,054	56,054
Receivables, net	-	16,189	16,189
Due from other funds	-	2,621	2,621
Prepaid expenses	7,922	-	7,922
Total current assets	<u>12,600</u>	<u>186,314</u>	<u>198,914</u>
Capital Assets, net	<u>133,284</u>	<u>93,997</u>	<u>227,281</u>
<b>TOTAL ASSETS</b>	<u>145,884</u>	<u>280,311</u>	<u>426,195</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	11,006	15,811	26,817
Due to other funds	<u>3,498</u>	<u>2,148</u>	<u>5,646</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>14,504</u>	<u>17,959</u>	<u>32,463</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	133,284	93,997	227,281
Unrestricted	<u>(1,904)</u>	<u>168,355</u>	<u>166,451</u>
Total net assets	<u>\$ 131,380</u>	<u>\$ 262,352</u>	<u>\$ 393,732</u>

TOWN OF MEDLEY, FLORIDA  
OTHER PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS

Year Ended September 30, 2011

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating Revenues:			
User charges	\$ 171,127	\$ 245,690	\$ 416,817
Miscellaneous other	-	3,842	3,842
Total operating revenues	<u>171,127</u>	<u>249,532</u>	<u>420,659</u>
Operating Expenses:			
Salaries, wages, and employee benefits	20,505	94,024	114,529
Contractual services, materials, and supplies	300,398	82,884	383,282
Depreciation and amortization	21,321	21,966	43,287
Total operating expenses	<u>342,224</u>	<u>198,874</u>	<u>541,098</u>
Operating Income (Loss)	<u>(171,097)</u>	<u>50,658</u>	<u>(120,439)</u>
Non-Operating Revenues:			
Interest income	33	928	961
Total non-operating revenues	<u>33</u>	<u>928</u>	<u>961</u>
Income (Loss) Before Transfers	<u>(171,064)</u>	<u>51,586</u>	<u>(119,478)</u>
Transfers:			
Transfers in	174,000	-	174,000
Total transfers	<u>174,000</u>	<u>-</u>	<u>174,000</u>
Net Income	2,936	51,586	54,522
Net Assets, Beginning of Year	<u>128,444</u>	<u>210,766</u>	<u>339,210</u>
Net Assets, End of Year	<u>\$ 131,380</u>	<u>\$ 262,352</u>	<u>\$ 393,732</u>

TOWN OF MEDLEY, FLORIDA  
OTHER PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2011

	<u>Medley Lakeside Retirement Park Fund</u>	<u>Police Gun Range Fund</u>	<u>Total Other Proprietary Funds</u>
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers and users	\$ 171,127	\$ 259,518	\$ 430,645
Payments to suppliers	(300,436)	(81,590)	(382,026)
Payments to employees	(20,505)	(98,218)	(118,723)
Net cash provided by (used in) operating activities	<u>(149,814)</u>	<u>79,710</u>	<u>(70,104)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Transfers from other funds	174,000	-	174,000
Change in due from/to other funds	(5,085)	(78,767)	(83,852)
Net cash provided by (used in) noncapital financing	<u>168,915</u>	<u>(78,767)</u>	<u>90,148</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition of capital assets	(37,361)	-	(37,361)
Net cash used in capital and related financing activities	<u>(37,361)</u>	<u>-</u>	<u>(37,361)</u>
<b>Cash Flows From Investing Activities:</b>			
Purchase of investments	-	(1,054)	(1,054)
Interest income received	33	928	961
Net cash provided by (used in) investing activities	<u>33</u>	<u>(126)</u>	<u>(93)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(18,227)	817	(17,410)
Cash and Cash Equivalents, Beginning of Year	<u>22,905</u>	<u>110,633</u>	<u>133,538</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,678</u>	<u>\$ 111,450</u>	<u>\$ 116,128</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>			
Operating loss	\$ (171,097)	\$ 50,658	\$ (120,439)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	21,321	21,966	43,287
Changes in:			
Receivables	-	9,986	9,986
Accounts payable and accrued liabilities	(38)	1,294	1,256
Compensated absences	-	(4,194)	(4,194)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (149,814)</u>	<u>\$ 79,710</u>	<u>\$ (70,104)</u>

SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION

**Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Town Council  
Town of Medley, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Medley, Florida (the "Town"), as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 17, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (items C3 and D).

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (items A, B1, B2, C1, C2, C4, E, and F).

Honorable Mayor and Town Council  
Town of Medley, Florida

#### 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*.

The Town's response to the audit findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, others within the entity, the Auditor General of the State of Florida, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Querett Warmus Durkee Osburn Henning*

Orlando, Florida  
May 17, 2012

**Independent Auditors' Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major Program and  
on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Honorable Mayor and Town Council  
Town of Medley, Florida

### Compliance

We have audited the Town of Medley, Florida's (the "Town") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended September 30, 2011. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

### Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Honorable Mayor and Town Council  
Town of Medley, Florida

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses in internal control over compliance and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and responses as item C3 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Town's management, the Town Council, others within the entity, the Auditor General of the State of Florida, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Auerett Warmus Durkee Osburn Henning*

Orlando, Florida  
May 17, 2012

TOWN OF MEDLEY, FLORIDA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2011

Federal Agency, Pass-Through Entity, Federal Program	CFDA Number	Contract Number	Total Expenditures
Federal Programs:			
Passed-through State of Florida, Department of Transportation:			
U.S. Department of Transportation:			
ARRA-Highway Planning and Construction:			
	20.205*	APU 94; ARRA-439	\$ 444,427
	20.205*	APL 50; ARRA-327	<u>127,511</u>
			<u>571,938</u>
Passed-through State of Florida, Department of Law Enforcement:			
U.S. Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant Programs:			
	16.738	2011-JAGD-DADE-1-B3-083	3,555
	16.738	2011-JAGC-DADE-1-B2-090	<u>2,934</u>
			<u>6,489</u>
Total federal programs			\$ <u><u>578,427</u></u>

\* Denotes major program

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

See Independent Auditors' Report on Compliance With Requirements  
 That Could Have a Direct and Material Effect on Each Major Program and  
 on Internal Control Over Compliance in Accordance With OMB Circular A-133

TOWN OF MEDLEY, FLORIDA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2011

**I. Summary of Auditors' Results:**

1. Financial Statements:

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

2. Federal Awards Programs:

- |    |  |   |
|----|--|---|
| a. | Internal control over federal programs:  |   |
| 1) | Material weaknesses identified?  | Yes   |
| 2) | Significant deficiencies identified not considered to be material weaknesses               | None reported   |
| b. | The type of auditors' report issued on compliance for federal awards programs              | Unqualified   |
| c. | Any audit findings that are required to be reported under Circular A-133 (section 510(a))? | No  |
| d. | Identification of major programs   | U.S. Department of Transportation, Passed – Through State of Florida Department of Transportation – Highway Planning and Construction: 20.205 |
| e. | Dollar threshold used to distinguish between Type A projects                               | \$300,000   |
| f. | Qualify as low risk auditee?   | No  |

**II. Findings Related to the Financial Statements Required to be Reported Under *Government Auditing Standards*:**

See comments A, B, C, D, E, and F on pages 63-66.

**III. Findings and Questioned Costs for Federal Awards Programs:**

See comment C3 on page 65.

**IV. Summary Schedule of Prior Audit Findings:**

See page 67.

TOWN OF MEDLEY, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES

**A. Licenses and Permit Items:**

Findings:

We noted there are a significant amount of manual calculations in the license and permit processes. In addition, there is a lack of supervisory review in the processes. We tested various licenses and permits and noted the following:

1. Subsidiary ledgers for licensing and permitting functions do not interface with the general ledger. Reports cannot be generated that show amounts recorded in the general ledger in direct correlation to amounts recorded by the licensing and permitting department.
2. The Town periodically receives cash payments for licenses and permits and there are little to no controls over such receipts and the safeguarding of these payments. Additionally, amounts received by the licensing and permitting department are not consistently posted and deposited daily.
3. One of the quarterly surcharge fee reports submitted to the state was completed inaccurately resulting in an underpayment to the state.
4. In seven instances out of thirty selected, a permit was not calculated in accordance with the approved fee schedule.

Recommendation:

We recommend the Town implement a standard review process for all licenses and permits issued, as well as required reporting for certain fees collected. We recommend a system which allows interface between the permitting and licensing function and the financial reporting function. Additionally, we recommend the Town implement a centralized cash register system which interfaces with the financial reporting functions, as well as ensures daily entry and deposit of amounts received.

Management's Response:

The Town owns the necessary building and licensing software which would automate the processes and interface all reporting functions. A committee has met to determine the steps needed to implement the program with the goal to get it operating as intended.

The Town does not believe the benefits of implementing a centralized cash register system outweigh the cost. It would entail hiring an additional employee.

The quarterly report in question will be amended in the next reporting period.

The permit fee calculation errors were found before the fee schedule was modified. The modifications simplified the fee structure so that calculation errors should now be minimal.

**B. Payroll and Compensated Absence Items:**

Findings:

1. In one instance out of fifteen selected, a police officer received incentive pay in error.
2. We tested the balances of compensated absences for five employees and noted the following:
  - a. In two instances, amounts credited to the employees' compensated absences totals were in excess of the amounts they earned.
  - b. In one instance, an employee was paid comp-time in excess of the amount they had earned.
  - c. Department heads are earning administrative time for over-time that will not be paid out; however, there is no documentation to support the time accumulated or the policy approval for the treatment which differs from other employee compensation leave policies.
  - d. The Town's comp-time earning procedures appear to need more detail documentation regarding supervisory approval and manual changes to electronic time clock entry.

Recommendation:

We recommend that the Town review the policies in the compensated absences process. Further, we recommend that all comp-time submitted without time clock substantiation be approved by an appropriate department head or the Mayor.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

**B. Compensated Absence Items – Continued:**

Management's Response:

The incentive pay error was discovered and corrected. The officer in question was required to reimburse the Town.

The process of accounting for compensated absences is being reviewed and updated. This includes requiring more detail documentation of comp-time earned and updating the comp-time data base which accounts for accrued time. Certain new controls will be implemented to the data base which will limit access, flag errors in postings and maintain greater detail of all accrued time earned, taken or paid.

The time clock program is automated. Manual changes are necessary because there are employees who forget to punch in and out. Further, certain employees do not have access to a time clock and must keep their time manually.

**C. Other Internal Control Items:**

**1. Travel and entertainment items:**

Findings:

In four instances out of ten selected, there was no supporting documentation for amounts claimed for reimbursement.

Recommendation:

We recommend that the Town institute a policy that items are not paid unless adequate supporting documentation is provided. Additionally, we recommend that management set forth standards for what constitutes adequate documentation.

Management's Response:

Policies and procedures are in place which requires supporting documentation for reimbursable business and entertainment expenses. These policies will be reviewed and standards improved for what constitutes adequate documentation.

**2. Grant Administration:**

Finding:

The Town does not have a centralized grant administration and reconciliation function for financial or grant required reporting purposes.

Recommendation:

We recommend the Town appoint an individual to be responsible for accumulation of financial data, reimbursement requests, reconciliation, and financial and other reporting for grants.

Management's Response:

The Town will consider assigning this task to a responsible employee, someone who may not be the administrator for a specific grant, rather one who would compile the data for financial reporting.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

**C. Other Internal Control Items – Continued:**

**3. Supervisory Review:**

Findings:

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

Recommendation:

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

Management's Response:

Quarterly budget variance and other reports will be presented to the Council and approved for the record. Approval of nonstandard journal entries would create an inefficiency in the accounting function and we believe that the approval of quarterly reports by the Council are sufficient.

**4. Centralized Purchasing:**

Findings:

The Town does not have a centralized purchasing function. Individuals purchase items on behalf of the Town thereby losing the sales tax exemption. Additionally, there are fewer controls over items purchased by various departments.

Recommendation:

We recommend the Town consider a centralized purchasing function to increase the Town's purchasing power, as well as increasing controls over purchasing.

Management's Response:

The Town has considered hiring a purchasing manager, which would centralize all purchases, but has not yet hired or assigned a person that specific task. Department heads are able to purchase items within a certain dollar amount and in accordance with their budget. Amounts outside the dollar limit or not budgeted must be approved by the Mayor and or Council.

Purchases by individuals on the Town's behalf are not allowed, however emergency purchases by individuals are approved by the Mayor. Exceptions are reimbursements to employees for their medical co-pays and reimbursements to administration personnel for uniform purchases.

**D. Capital Asset Items:**

Findings:

1. The Town does not complete periodic or annual inventories for reconciliation purposes.
2. Within the Town limits, various water and wastewater infrastructure has been and is being constructed by developers of property. The Town does not have title to all of the completed infrastructure.

Recommendation:

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

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

**D. Capital Asset Items – Continued:**

Management's Response:

The Town does maintain an inventory of large dollar items as required by our insurance company, however annual inventories of smaller items are not deemed necessary. A physical inventory of furniture, fixtures, and small equipment was taken 3 or 4 years ago and reconciled to our records. We will consider performing a physical inventory of furniture, fixtures, and small equipment in fiscal year 2013.

Obtaining title to certain infrastructure can be a long and costly process, which the Town continues to pursue. The Town has taken possession of these assets and continues to maintain and run the system accordingly.

**E. Water and Wastewater Utility Items:**

Findings:

The Town experienced an estimated unaccounted for loss rate of 14% of water purchased while water management standards require such loss to be below 10%.

Recommendation:

We still believe that a loss of 14% is material and has a significant financial impact on the Town even though it has decreased from the prior year. We recommend that the Town continue its efforts to find the causes of this problem. We also recommend that the Town implement a system to reduce the amount of manual adjustments to the billing system for meter misreading.

Management's Response:

Over the past five years, water losses have decreased from over 40% to approximately 14%. This has increased the profitability of the department which has led to a decrease in residential water and wastewater rates. The Department's goal is to reduce the water losses to 10%; therefore the water loss prevention program is still in force with budgeted expenditures for meter change-outs and leak detections.

**F. Benefit Plan Items:**

Finding:

Certain participants in the Town's 401(a) plans are in non-compliance with the rules related to participant loans from their accounts.

Recommendation:

We recommend the Town take immediate corrective action regarding the participant loan program to ensure compliance with plan documents.

Management's Response:

The 401A plans allow for participants to borrow certain amounts against their vested balances. Certain participants have defaulted on their loan terms. The plan cannot legally require those persons to repay their loans, in a timely manner. In such a case, the loan is deemed distributed and a 1099R is issued.

TOWN OF MEDLEY, FLORIDA  
STATUS OF PRIOR YEAR RECOMMENDATIONS

**Prior Year Recommendations:**

Prior Year Recommendation	Current Year Status	Present in Second Preceding Year Report
A. Fees, licenses, and permit items	Partially implemented	Partially – Item A
B. Payroll and compensated absence items	Partially implemented	Partially – Item B
C. Other internal control items	Partially implemented	Partially – Items C & H
D. Capital asset items	Not implemented	Yes – Item D
E. Water and wastewater utility items	Not implemented	Yes – Item E
F. Stormwater utility items	Implemented	N/A
G. Benefit plan items	Not implemented	Yes – Item G

## **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

We have audited the financial statements of the Town of Medley, Florida (the "Town"), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated May 17, 2012.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in accordance With OMB Circular A-133, Schedule of Findings and Questioned Costs, and Schedule of Findings and Responses. Disclosures in those reports and schedule, which are dated May 17, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- 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 as noted in the Status of Prior Year Recommendations found on page 67.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Honorable Mayor and Town Council  
Town of Medley, Florida

- Section 10.554(1)(i)6., 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.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Querett Warmus Durkee Osburn Henning*

Orlando, Florida  
May 17, 2012