

TOWN OF MEDLEY, FLORIDA
FINANCIAL SECTION, REQUIRED SUPPLEMENTARY
INFORMATION, COMBINING FUND STATEMENTS,
AND SUPPLEMENTARY FINANCIAL REPORTS
COMPLIANCE SECTION
Year Ended September 30, 2013



**AVERETT
WARMUS
DURKEE**

Certified Public Accountants and Business Advisors

TOWN OF MEDLEY, FLORIDA

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TOWN OF MEDLEY, FLORIDA

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Certified Public Accountants and Business Advisors

Independent Auditors' Report

Honorable Mayor and Town Council
Town of Medley, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Medley, Florida (the "Town"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, 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, 2013, as displayed in the Town's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as each fiduciary fund type of the Town, as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Honorable Mayor and Town Council
Town of Medley, Florida

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the defined benefit pension information on pages 3 through 13 and 50 through 52 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Medley, Florida's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014, on our consideration of the Town of Medley, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Aurett Warmus Durkee

Orlando, Florida
June 17, 2014

TOWN OF MEDLEY, FLORIDA

Management's Discussion and Analysis Year Ended September 30, 2013

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, 2013.

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 \$179,031,380 (*net position*). Of this amount, \$23,002,572 (*unrestricted net position*) may be used to meet the government's ongoing obligations to residents and creditors.
- During the fiscal year, the Town's total net position increased by \$1,809,088 or by approximately 1.0%. This is comprised of an increase of \$232,188 in governmental activities and an increase of \$1,576,900 in business-type activities.
- The increase in governmental activities was due to the net effect of the following factors. Negative variances include: (1) the decrease in ad valorem revenues of \$1,112,076, a direct result of a decrease in assessed property values, and the current economic conditions; (2) the OPEB reporting requirements and the related health insurance adjustment, based on the actuarial valuation, which increased the liability and decreased net position by \$117,353; (3) an increase in public safety expenditures of \$637,526; and (4) an increase in culture and recreation expenditures of \$59,367. Positive variances affecting the governmental net position include (1) an increase in building permits, fees, and licenses of \$260,575; (2) an increase of \$80,502 in utility tax revenues; and (3) the sale of the police station property for \$2,600,000. The police station is now located in the Town Hall.
- The increase in business-type activities was attributable to revenues being greater than expenses. Compared to last year, when there was an increase in net position of \$1,253,352, current year's charges for services decreased by \$79,900 and expenses decreased by \$421,550.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$17,898,021, an increase of \$1,524,359 in comparison with the prior year. Of this amount, \$11,648,654 is *available for spending* at the government's discretion (*assigned or unassigned fund balance*) of which \$5.3 million has been assigned for future projects and expenditures consisting of \$2 million for pension, \$2.4 million for working capital, \$0.5 million for debt service, and \$0.4 million for health insurance for retired employees.
- The Town's total long-term obligations increased by \$486,442 which is comprised of an increase in amounts due for compensated absences and other post employment benefits liabilities, new debt issued, and principal payments on existing debt.
- The total fair value of the Town's unrestricted cash and investments at September 30, 2013, was \$24,885,649, an increase of \$2,707,941 from the prior year.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements
- The governmental funds statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.

TOWN OF MEDLEY, FLORIDA

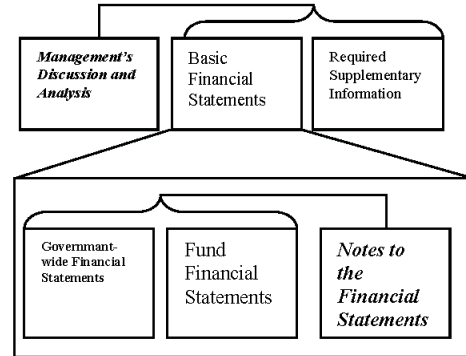
Management’s Discussion and Analysis – Continued
Year Ended September 30, 2013

Overview of the Financial Statements – Continued:

- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the water and wastewater and stormwater utilities.

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

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



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

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

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

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, physical

environment, human services, and culture and recreation. The business-type activities of the Town include a water and wastewater utility, a stormwater utility, an age and income restricted mobile home retirement park, and a police gun range.

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

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

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

TOWN OF MEDLEY, FLORIDA

Management's Discussion and Analysis – Continued Year Ended September 30, 2013

Overview of the Financial Statements – Continued:

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

The Town maintains 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.

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 48 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 50 through 52 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 54 through 56 of this report.

TOWN OF MEDLEY, FLORIDA

**Management's Discussion and Analysis – Continued
Year Ended September 30, 2013**

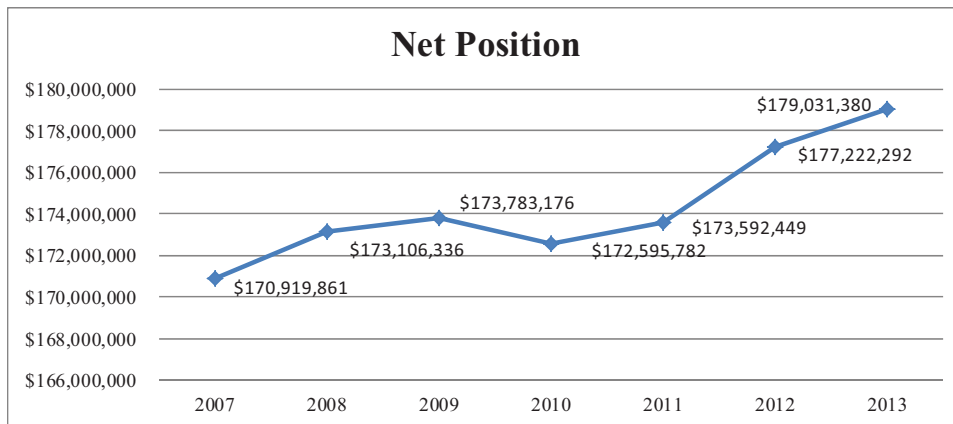
Government-Wide Financial Analysis

The table below summarizes the statements of net position:

Town of Medley, Florida's Net Position

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2013	2012	2013	2012	2013	2012		
Current assets	\$ 15,146,031	\$ 13,166,925	\$ 13,709,364	\$ 12,566,867	\$ 28,855,395	\$ 25,733,792	\$ 3,121,603	12.1 %
Noncurrent assets	3,757,773	3,966,078	885,783	876,560	4,643,556	4,842,638	(199,082)	(4.1)
Capital assets, net	136,316,150	137,581,072	23,852,163	23,497,512	160,168,313	161,078,584	(910,271)	(0.6)
Total assets	155,219,954	154,714,075	38,447,310	36,940,939	193,667,264	191,655,014	2,012,250	1.0
Long-term obligations outstanding	7,739,137	7,711,888	4,478,362	4,019,169	12,217,499	11,731,057	486,442	4.1
Other liabilities	1,005,783	759,341	1,412,602	1,942,324	2,418,385	2,701,665	(283,280)	(10.5)
Total liabilities	8,744,920	8,471,229	5,890,964	5,961,493	14,635,884	14,432,722	203,162	1.4
Net position:								
Investment in capital assets, net of related debt	130,056,508	131,220,713	19,722,933	19,774,045	149,779,441	150,994,758	(1,215,317)	(0.08)
Restricted	6,249,367	6,020,054	-	-	6,249,367	6,020,054	229,313	3.8
Unrestricted	10,169,159	9,002,079	12,833,413	11,205,401	23,002,572	20,207,480	2,795,092	13.8
Total net position	\$ 146,475,034	\$ 146,242,846	\$ 32,556,346	\$ 30,979,446	\$ 179,031,380	\$ 177,222,292	\$ 1,809,088	1.0 %

The following chart reports the Town's total net position balances from fiscal year 2007 through 2013:



As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$179,031,380 at September 30, 2013, an increase of \$1,809,088 from the prior fiscal year. This is a 1.0% increase from last years' net position of \$177,222,292.

The largest portion of the Town's net position, \$149,779,441, or 83.7%, 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.

TOWN OF MEDLEY, FLORIDA

**Management's Discussion and Analysis – Continued
Year Ended September 30, 2013**

Government-Wide Financial Analysis – Continued

An additional portion of the Town's net position, \$6,249,367, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$23,002,572, may be used to meet the government's ongoing obligations to residents and creditors.

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

Governmental and business-type activities. Governmental activities increased the Town of Medley, Florida's net position by \$232,188, whereas business-type activities increased the Town of Medley, Florida's net position by \$1,576,900. This resulted in an increase in total net position of \$1,809,088 or a 1.0% increase from the prior year.

The table below summarizes the statements of activities:

Town of Medley, Florida

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2013	2012	2013	2012	2013	2012		
Revenues:								
Program revenues:								
Fees, fines, and charges for services	\$ 3,218,979	\$ 5,700,906	\$ 7,540,555	\$ 7,620,455	\$ 10,759,534	\$ 13,321,361	\$ (2,561,827)	(19.2) %
Capital grants and contributions	3,520	7,964	140,961	140,961	144,481	148,925	(4,444)	(3.0)
General revenues:								
Ad valorem taxes	8,158,193	9,270,269	-	-	8,158,193	9,270,269	(1,112,076)	(12.0)
Utility taxes	1,151,012	1,070,510	-	-	1,151,012	1,070,510	80,502	7.5
Franchise fees	884,259	873,070	-	-	884,259	873,070	11,189	1.3
Other general taxes	726,449	697,034	-	-	726,449	697,034	29,415	4.2
Intergovernmental	194,452	192,414	-	-	194,452	192,414	2,038	1.1
Investment earnings	89,015	92,152	69,210	59,585	158,225	151,737	6,488	4.3
Miscellaneous	87,063	36,222	-	37,302	87,063	73,524	13,539	18.4
Gain on sale of building	1,990,122	-	-	-	1,990,122	-	1,990,122	100.0
Internal activity:								
Transfers	(188,575)	(179,000)	188,575	179,000	-	-	-	
Total revenues and transfers	<u>16,314,489</u>	<u>17,761,541</u>	<u>7,939,301</u>	<u>8,037,303</u>	<u>24,253,790</u>	<u>25,798,844</u>	<u>(1,545,054)</u>	(6.0)
Expenses:								
General government	6,858,971	6,926,877	-	-	6,858,971	6,926,877	(67,906)	(1.0)
Public safety	6,051,905	5,414,379	-	-	6,051,905	5,414,379	637,526	11.8
Physical environment	849,609	722,757	-	-	849,609	722,757	126,852	17.6
Human services	1,214,469	1,264,355	-	-	1,214,469	1,264,355	(49,886)	(3.9)
Culture and recreation	948,090	888,723	-	-	948,090	888,723	59,367	6.7
Interest	159,257	167,959	94,179	115,256	253,436	283,215	(29,779)	(10.5)
Water and wastewater	-	-	4,185,783	4,487,427	4,185,783	4,487,427	(301,644)	(6.7)
Stormwater utility	-	-	1,460,672	1,624,143	1,460,672	1,624,143	(163,471)	(10.1)
Medley Lakeside Retirement Park	-	-	364,477	362,020	364,477	362,020	2,457	0.7
Police gun range	-	-	257,290	195,105	257,290	195,105	62,185	31.9
Total expenses	<u>16,082,301</u>	<u>15,385,050</u>	<u>6,362,401</u>	<u>6,783,951</u>	<u>22,444,702</u>	<u>22,169,001</u>	<u>275,701</u>	1.2
Increase (Decrease) in Net Position	232,188	2,376,491	1,576,900	1,253,352	1,809,088	3,629,843	(1,820,755)	(50.2)
Net Position, beginning of year	<u>146,242,846</u>	<u>143,866,355</u>	<u>30,979,446</u>	<u>29,726,094</u>	<u>177,222,292</u>	<u>173,592,449</u>	<u>3,629,843</u>	2.1
Net Position, end of year	<u>\$ 146,475,034</u>	<u>\$ 146,242,846</u>	<u>\$ 32,556,346</u>	<u>\$ 30,979,446</u>	<u>\$ 179,031,380</u>	<u>\$ 177,222,292</u>	<u>\$ 1,809,088</u>	1.0 %

TOWN OF MEDLEY, FLORIDA

**Management’s Discussion and Analysis – Continued
Year Ended September 30, 2013**

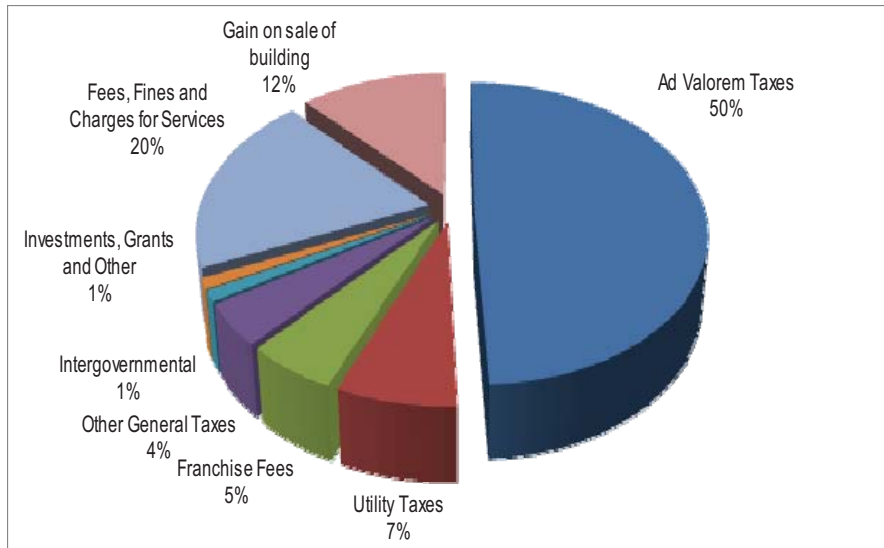
Government-Wide Financial Analysis – Continued

Governmental activities. Governmental activities increased the Town’s net position by \$232,188.

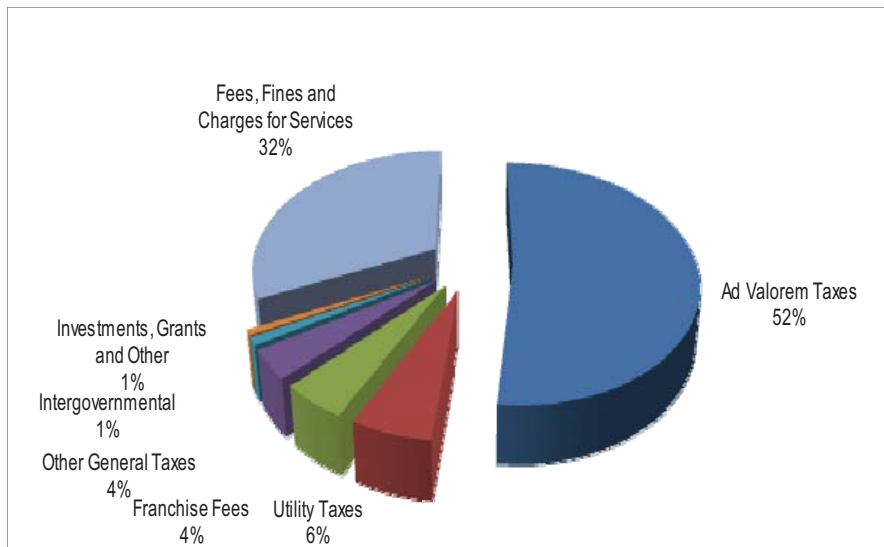
Revenues. The following chart shows the amounts of program and general revenues for fiscal years 2013 and 2012:

Revenues by Source – Governmental Activities
For the Years Ended September 30, 2013 and 2012, respectively

2013



2012



The Town is heavily reliant on property taxes to support governmental functions. Property taxes provided 50% of the Town’s total revenues as compared to 52% in fiscal year 2012. Other general taxes, which include communications taxes, provided 4% of the Town’s total revenues which was the same as fiscal year 2012. Franchise fees and utility taxes provided 12% of the revenues compared to 10% in fiscal year 2012. The gain on the sale of the police station property provided 12% of the revenue in fiscal year 2013. The 12% decrease in fees, fines, and charges for services revenues was due to a decrease in the Town’s share of a federal forfeiture seizure.

TOWN OF MEDLEY, FLORIDA

**Management's Discussion and Analysis – Continued
Year Ended September 30, 2013**

Government-Wide Financial Analysis – Continued

Governmental activities – Continued

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

	Total Cost of Services	Percentage of Total
General government	\$ 6,858,971	42.6%
Public	6,051,905	37.6
Physical environment	849,609	5.3
Human services	1,214,469	7.6
Culture and recreation	948,090	5.9
Interest	159,257	1.0
	\$ 16,082,301	100.0%

Expenses for governmental activities increased by \$697,251 from the prior year. General government expenses decreased \$67,906 from fiscal year 2012. The decrease is mostly attributable to decreased pension costs for general employees. Public safety expenses increased by \$637,526 from fiscal year 2012. The increase is attributable to increased pension costs, increased professional fees mostly due to additional red light camera revenue and the associated costs of administrating the red light cameras, and forfeiture expenditures. Physical environment costs increased by \$126,852 due to additional railroad crossing repair costs of \$161,629. By agreement, the railroad company performs the repairs but the Town is responsible for the expense. Human services decreased by \$49,886 due to re-allocation of certain expenses to other departments such as culture and recreation, which increased by \$59,367.

Business-type activities. Business-type activities increased the Town's net position by \$1,576,900.

Overall analysis of major funds. The Town reports two major enterprise funds and two non-major funds (Medley Lakeside Retirement Park fund and police gun range fund). The net income for each major enterprise fund was as follows for fiscal year 2013 and 2012:

	Fiscal Year	
	2013	2012
Water and wastewater	\$ 1,067,498	\$ 819,410
Stormwater utility	516,069	374,817
	\$ 1,583,567	\$ 1,194,227

The following includes an analysis of the fiscal year 2013 financial activities for each fund:

- The water and wastewater fund had an increase in net position of \$1,067,498. Operating revenues decreased by \$75,604 from the prior year due to lower commercial water and sewer sales and service and hook-up charges. Operating expenses decreased by \$301,644 from the prior year. This is mostly attributable to lower sewer treatment costs.
- The stormwater utility fund had an increase in net position of \$516,069. Operating revenues decreased by \$30,936. Operating expenses decreased by \$163,471 from the prior year. This was mostly attributable to decreased lower infiltration costs. In fiscal year 2013, there were five stormwater projects in progress of which one should be completed in fiscal year 2014.

Non-major fund – Medley Lakeside Retirement Park. There was a transfer from the general fund to the Medley Lakeside Retirement Park of \$188,575 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
Year Ended September 30, 2013**

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
Revenue	\$ 14,475,884	\$ 37,058	\$ 14,512,942
Expenditures	(15,540,171)	(59,837)	(15,600,008)
Other financing sources, net	2,611,425	-	2,611,425
	\$ 1,547,138	\$ (22,779)	\$ 1,524,359

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Town's governmental funds reported combined ending fund balances of \$17,898,021, an increase of \$1,524,359 in comparison with the prior year. Key elements of the increase are as follows:

- A decrease in total revenues of \$3,427,599. Revenue sources decreasing include public safety forfeitures and ad valorem taxes. The shortfall in ad valorem taxes is expected to be received in fiscal years 2014 and 2015.
- Total expenditures increased by \$1,650,317. This is attributable to higher wages, pension costs, insurance, capital outlay, and expenditures from the police forfeiture funds
- The Town sold the police station property in June 2013 for \$2.6 million.

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 \$11,648,654. 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 74.7% of total general fund expenditures.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total growth in net position for all enterprise fund statements was \$1,576,900. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

TOWN OF MEDLEY, FLORIDA

**Management's Discussion and Analysis – Continued
Year Ended September 30, 2013**

General Fund Budgetary Highlights

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

- Actual ad valorem collections were lower than budgeted by \$991,869 because of value adjustments and delinquent payments, which are expected to be received in fiscal years 2014 and 2015.
- 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. Included in revenues is forfeiture of properties seized by the police department which is not budgeted.
- 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 department expenditures were over budgeted amounts by a total of \$771,448. This includes costs of items purchased with forfeiture funds, which cannot be budgeted. Also higher than budgeted were payroll, police pension costs, professional fees, insurance costs, and building department costs.
- Capital outlay was higher than budgeted due to the new 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 50 of this report.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$160,168,313 (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	% Change
	September 30,		September 30,		September 30,			
	2013	2012	2013	2012	2013	2012		
Land and improvements	\$ 3,467,901	\$ 3,527,975	\$ 765,839	\$ 765,839	\$ 4,233,740	\$ 4,293,814	\$ (60,074)	(1.4) %
Construction in progress	411,339	391,441	2,248,787	1,066,172	2,660,126	1,457,613	1,202,513	82.5
Buildings and improvements	12,862,173	14,446,184	1,125,873	1,108,177	13,988,046	15,554,361	(1,566,315)	(10.1)
Infrastructure	143,359,347	143,108,911	-	-	143,359,347	143,108,911	250,436	0.2
Machinery, equipment, and vehicles	4,871,012	4,876,979	2,728,814	2,858,276	7,599,826	7,735,255	(135,429)	(1.8)
Water and wastewater systems	-	-	23,457,448	23,457,448	23,457,448	23,457,448	-	-
Stormwater systems	-	-	7,760,154	7,760,154	7,760,154	7,760,154	-	-
Total	164,971,772	166,351,490	38,086,915	37,016,066	203,058,687	203,367,556	(308,869)	(0.2)
Accumulated depreciation	(28,655,622)	(28,770,418)	(14,234,752)	(13,518,554)	(42,890,374)	(42,288,972)	(601,402)	1.4
	<u>\$ 136,316,150</u>	<u>\$ 137,581,072</u>	<u>\$ 23,852,163</u>	<u>\$ 23,497,512</u>	<u>\$ 160,168,313</u>	<u>\$ 161,078,584</u>	<u>\$ (910,271)</u>	(0.6) %

Additional information on the Town's capital assets can be found in Note 4 on pages 34 and 36 of this report.

TOWN OF MEDLEY, FLORIDA

**Management's Discussion and Analysis – Continued
Year Ended September 30, 2013**

Capital Asset and Debt Administration – Continued

Long-term obligations. At year-end, the Town had \$10,388,873 in notes outstanding versus \$10,083,826 last year. Repayments of debt amounted to \$490,320. Included in long-term obligations of the governmental fund and proprietary fund types are \$698,086 and \$133,602 in accrued compensated absence liabilities and \$781,409 and \$215,529 in accrued other post employment benefits liabilities, respectively.

The following table reports long-term obligation balances at September 30, 2013 and 2012:

	Governmental Activities			Balance September 30, 2013
	Balance October 1, 2012	Additions	Reductions	
Notes payable	\$ 6,360,359	\$ 200,000	\$ 300,717	\$ 6,259,642
Compensated absences	687,473	10,613	-	698,086
Other post employment benefits	664,056	315,998	198,645	781,409
	\$ 7,711,888	\$ 526,611	\$ 499,362	\$ 7,739,137
	Business-Type Activities			
	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013
Notes payable	\$ 3,723,467	\$ 595,367	\$ 189,603	\$ 4,129,231
Compensated absences	105,222	28,380	-	133,602
Other post employment benefits	190,480	44,001	18,952	215,529
	\$ 4,019,169	\$ 667,748	\$ 208,555	\$ 4,478,362

Additional information on the Town's long-term debt can be found in Note 9 on pages 43 to 45 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 11% since 2009.

The operating millage for the fiscal year ending September 30, 2014, is stated at 5.38 mills. This represents a 6.89% increase over the rolled back rate but lower than the 2013 millage rate of 5.585 mills. Since 2003, the Town has been able to reduce millage by 45% from 7.8 mills to 5.38 mills.

The general fund's total 2014 departmental expenditures are budgeted \$101,490 less than fiscal 2013. Departmental expenditures which are expected to decrease include administration, motor pool, human services, and parks and recreation.

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.

TOWN OF MEDLEY, FLORIDA

**Management's Discussion and Analysis – Continued
Year Ended September 30, 2013**

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 Position
September 30, 2013**

Assets	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 6,683,372	\$ 8,219,964	\$ 14,903,336
Investments	5,283,593	4,698,720	9,982,313
Receivables, net	461,191	1,084,686	1,545,877
Internal Balances	294,006	(294,006)	-
Prepaid Expenses	2,423,869	-	2,423,869
	<u>15,146,031</u>	<u>13,709,364</u>	<u>28,855,395</u>
 Restricted Assets:			
Cash and cash equivalents	3,757,773	819,028	4,576,801
Total restricted assets	<u>3,757,773</u>	<u>819,028</u>	<u>4,576,801</u>
 Capital Assets:			
Capital assets not being depreciated	103,773,453	2,693,025	106,466,478
Capital assets being depreciated, net	32,542,697	21,159,138	53,701,835
Total capital assets	<u>136,316,150</u>	<u>23,852,163</u>	<u>160,168,313</u>
Other Assets, net	-	66,755	66,755
Total assets	<u>155,219,954</u>	<u>38,447,310</u>	<u>193,667,264</u>
 Liabilities			
Liabilities:			
Accounts payable and accrued liabilities	745,306	617,173	1,362,479
Deferred revenue	260,477	133,979	394,456
Liabilities payable from restricted assets	-	661,450	661,450
Long-term obligations:			
Due within one year	331,896	281,760	613,656
Due after one year	7,407,241	4,196,602	11,603,843
Total liabilities	<u>8,744,920</u>	<u>5,890,964</u>	<u>14,635,884</u>
 Net Position			
Investment in Capital Assets, net of related debt	130,056,508	19,722,933	149,779,441
Restricted	6,249,367	-	6,249,367
Unrestricted	10,169,159	12,833,413	23,002,572
Total net position	<u>\$ 146,475,034</u>	<u>\$ 32,556,346</u>	<u>\$ 179,031,380</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Government-Wide Statement of Activities
Year Ended September 30, 2013**

Functions/Programs	Total Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 6,858,971	\$ 1,949,754	\$ -	\$ (4,909,217)	\$ -	\$ (4,909,217)
Public safety	6,051,905	1,269,225	3,520	(4,779,160)	-	(4,779,160)
Physical environment	849,609	-	-	(849,609)	-	(849,609)
Human services	1,214,469	-	-	(1,214,469)	-	(1,214,469)
Culture and recreation	948,090	-	-	(948,090)	-	(948,090)
Interest on long-term obligations	159,257	-	-	(159,257)	-	(159,257)
Total governmental activities	<u>16,082,301</u>	<u>3,218,979</u>	<u>3,520</u>	<u>(12,859,802)</u>	<u>-</u>	<u>(12,859,802)</u>
Business-Type Activities:						
Water and wastewater utility	4,279,962	5,173,936	140,961	-	1,034,935	1,034,935
Stormwater utility	1,460,672	1,941,100	-	-	480,428	480,428
Medley Lakeside Retirement Park	364,477	181,740	-	-	(182,737)	(182,737)
Police gun range	257,290	243,779	-	-	(13,511)	(13,511)
Total business-type activities	<u>6,362,401</u>	<u>7,540,555</u>	<u>140,961</u>	<u>-</u>	<u>1,319,115</u>	<u>1,319,115</u>
	<u>\$ 22,444,702</u>	<u>\$ 10,759,534</u>	<u>\$ 144,481</u>	<u>(12,859,802)</u>	<u>1,319,115</u>	<u>(11,540,687)</u>
General Revenues:						
				8,158,193	-	8,158,193
				1,151,012	-	1,151,012
				884,259	-	884,259
				726,449	-	726,449
				194,452	-	194,452
				89,015	69,210	158,225
				87,063	-	87,063
				1,990,122	-	1,990,122
				(188,575)	188,575	-
				<u>13,091,990</u>	<u>257,785</u>	<u>13,349,775</u>
				232,188	1,576,900	1,809,088
				<u>146,242,846</u>	<u>30,979,446</u>	<u>177,222,292</u>
				<u>\$ 146,475,034</u>	<u>\$ 32,556,346</u>	<u>\$ 179,031,380</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Balance Sheet
Governmental Funds
September 30, 2013**

Assets	<u>General Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 6,597,808	\$ 85,564	\$ 6,683,372
Investments	5,283,593	-	5,283,593
Receivables, net	461,191	-	461,191
Due From Other Funds	310,847	-	310,847
Prepaid Items	2,423,869	-	2,423,869
Restricted Assets – cash and cash equivalents	<u>3,757,773</u>	<u>-</u>	<u>3,757,773</u>
Total assets	<u>\$ 18,835,081</u>	<u>\$ 85,564</u>	<u>\$ 18,920,645</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable and accrued liabilities	\$ 744,308	\$ 998	\$ 745,306
Deferred revenue	260,477	-	260,477
Due to other funds	-	16,841	16,841
Total liabilities	<u>1,004,785</u>	<u>17,839</u>	<u>1,022,624</u>
Fund Equity:			
Fund balance:			
Nonspendable	2,423,869	-	2,423,869
Restricted	3,757,773	-	3,757,773
Committed	-	67,725	67,725
Assigned	5,300,000	-	5,300,000
Unassigned	<u>6,348,654</u>	<u>-</u>	<u>6,348,654</u>
Total fund equity	<u>17,830,296</u>	<u>67,725</u>	<u>17,898,021</u>
Total liabilities and fund equity	<u>\$ 18,835,081</u>	<u>\$ 85,564</u>	<u>\$ 18,920,645</u>
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position:			
Total fund balance – total governmental funds			\$ 17,898,021
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets of \$164,971,772, net of accumulated depreciation of \$28,655,622, are not financial resources and, therefore, are not reported in the funds			136,316,150
Long-term obligations of \$7,739,137 are not due and payable in the current period and are not reported in the funds			<u>(7,739,137)</u>
Net position of governmental activities			<u>\$ 146,475,034</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

Year Ended September 30, 2013

	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 8,158,193	\$ -	\$ 8,158,193
Utility taxes	1,151,012	-	1,151,012
Other general taxes	923,828	-	923,828
Intergovernmental	197,972	-	197,972
Permits, fees, and licenses	2,636,634	-	2,636,634
Fines and forfeitures	1,094,446	-	1,094,446
User charges	169,897	-	169,897
Miscellaneous	143,902	37,058	180,960
Total revenues	14,475,884	37,058	14,512,942
Expenditures:			
Current operating:			
General government	5,174,977	-	5,174,977
Public safety	5,713,822	-	5,713,822
Physical environment	818,599	-	818,599
Human services	1,193,051	-	1,193,051
Culture and recreation	815,656	59,837	875,493
Capital outlay	1,364,092	-	1,364,092
Debt service	459,974	-	459,974
Total expenditures	15,540,171	59,837	15,600,008
Deficiency of Revenues Over Expenditures	(1,064,287)	(22,779)	(1,087,066)
Other Financing Sources (Uses):			
Proceeds from sale of building	2,600,000	-	2,600,000
Proceeds from note payable	200,000	-	200,000
Transfers out	(188,575)	-	(188,575)
Total other financing sources (uses)	2,611,425	-	2,611,425
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	1,547,138	(22,779)	1,524,359
Fund Balances, beginning of year	16,283,158	90,504	16,373,662
Fund Balances, end of year	\$ 17,830,296	\$ 67,725	\$ 17,898,021
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:			
Net change in fund balances – total governmental funds			\$ 1,524,359
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 \$2,021,584 exceeded capital outlays of \$1,364,092 in the current period.			(657,492)
In the government funds, the cost of capital assets was recognized as an expenditure in the year purchased. Thus the change in net position differs from the change in fund balances by the undepreciated cost of the disposed assets			(607,430)
Change in long-term compensated absences recognized in statement of activities, not recognized as expenditures.			(10,613)
Change in other post employment benefits liability recognized in statement of activities, not recognized as expenditures.			(117,353)
Repayment of notes payable is reported as an expenditure in governmental funds and, thus, has an effect on fund balance because current financial resources have been used for the Town as a whole; however, the principal payments reduce liabilities in the statement of net position and do not result in expense in the statement of activities.			300,717
Proceeds from issuance of debt			(200,000)
Change in net position of governmental activities			\$ 232,188

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Net Position
Proprietary Funds
September 30, 2013**

Assets	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Current Assets:				
Cash and cash equivalents	\$ 5,012,333	\$ 2,930,220	\$ 277,411	\$ 8,219,964
Investments	1,634,916	3,063,804	-	4,698,720
Receivables, net	781,336	181,053	26,325	988,714
Due from other governments	75,397	20,575	-	95,972
Due from other funds	13,114	-	125	13,239
Total current assets	7,517,096	6,195,652	303,861	14,016,609
Noncurrent Assets:				
Restricted assets – cash and cash equivalents	809,028	10,000	-	819,028
Capital assets, net	15,224,898	8,387,801	239,464	23,852,163
Other assets – loan costs, net	66,755	-	-	66,755
Total noncurrent assets	16,100,681	8,397,801	239,464	24,737,946
Total assets	23,617,777	14,593,453	543,325	38,754,555
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	524,652	61,536	30,985	617,173
Refundable advances	-	133,979	-	133,979
Due to other funds	132,965	121,338	52,942	307,245
Liabilities payable from restricted assets:				
Utility deposits	419,495	-	-	419,495
Deferred developer fees	231,955	10,000	-	241,955
Current portion of long-term debt:				
Notes payable	194,520	87,240	-	281,760
Total current liabilities	1,503,587	414,093	83,927	2,001,607
Long-Term Obligations, less current portion:				
Notes payable	3,339,344	508,127	-	3,847,471
Compensated absences	90,050	35,178	8,374	133,602
Other post employment benefits	160,219	50,476	4,834	215,529
Total long-term obligations	3,589,613	593,781	13,208	4,196,602
Total liabilities	5,093,200	1,007,874	97,135	6,198,209
Net Position				
Investment in Capital Assets, net of related debt Unrestricted	11,691,035 6,833,542	7,792,434 5,793,145	239,464 206,726	19,722,933 12,833,413
Total net position	\$ 18,524,577	\$ 13,585,579	\$ 446,190	\$ 32,556,346

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2013**

	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Operating Revenues:				
User charges	\$ 5,051,872	\$ 1,915,485	\$ 421,297	\$ 7,388,654
Service and hook-up charges	94,095	-	-	94,095
Miscellaneous other	27,969	25,615	4,222	57,806
Total operating revenues	5,173,936	1,941,100	425,519	7,540,555
Operating Expenses:				
Salaries, wages, and employee benefits	1,132,851	401,637	185,545	1,720,033
Contractual services, materials, and supplies	2,401,928	782,625	393,302	3,577,855
Depreciation and amortization	651,004	276,410	42,920	970,334
Total operating expenses	4,185,783	1,460,672	621,767	6,268,222
Operating Income (Loss)	988,153	480,428	(196,248)	1,272,333
Non-Operating Revenues (Expenses):				
Grants	140,961	-	-	140,961
Interest income	32,563	35,641	1,006	69,210
Interest expense	(94,179)	-	-	(94,179)
Total non-operating revenues (expenses)	79,345	35,641	1,006	115,992
Income (Loss) Before Transfers	1,067,498	516,069	(195,242)	1,388,325
Transfers:				
Transfers in	-	-	188,575	188,575
Total transfers	-	-	188,575	188,575
Net Income (Loss)	1,067,498	516,069	(6,667)	1,576,900
Net Position, beginning of year	17,457,079	13,069,510	452,857	30,979,446
Net Position, end of year	\$ 18,524,577	\$ 13,585,579	\$ 446,190	\$ 32,556,346

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2013**

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 5,019,591	\$ 1,861,841	\$ 410,083	\$ 7,291,515
Payments to suppliers	(2,801,646)	(770,533)	(391,707)	(3,963,886)
Payments to employees	(1,096,401)	(393,032)	(177,171)	(1,666,604)
Other receipts	3,095	2,265	-	5,360
Net cash provided by (used in) operating activities	1,124,639	700,541	(158,795)	1,666,385
Cash Flows From Noncapital Financing Activities:				
Increase in current liabilities payable from restricted assets	2,830	10,000	-	12,830
Transfers from other funds	-	-	188,575	188,575
Proceeds from operating grants	140,961	-	-	140,961
Change in due from/to other funds	119,374	29,692	15,258	164,324
Net cash provided by noncapital financing activities	263,165	39,692	203,833	506,690
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(74,553)	(1,198,603)	(58,412)	(1,331,568)
Proceeds from sale of assets	34,200	25,000	-	59,200
Proceeds from issuance of debt	-	595,367	-	595,367
Principal reduction on notes payable	(189,603)	-	-	(189,603)
Interest paid on notes payable	(94,179)	-	-	(94,179)
Net cash used in capital and related financing activities	(324,135)	(578,236)	(58,412)	(960,783)
Cash Flows From Investing Activities:				
Redemption of investments	-	-	56,441	56,441
Purchases of investments	(1,020,197)	(701,508)	-	(1,721,705)
Interest income received	44,633	26,643	1,428	72,704
Net cash provided by (used in) investing activities	(975,564)	(674,865)	57,869	(1,592,560)
Net Increase (Decrease) in Cash and Cash Equivalents	88,105	(512,868)	44,495	(380,268)
Cash and Cash Equivalents, beginning of year	5,733,256	3,453,088	232,916	9,419,260
Cash and Cash Equivalents, end of year	\$ 5,821,361	\$ 2,940,220	\$ 277,411	\$ 9,038,992

(Continued)

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Cash Flows
Proprietary Funds – Continued
Year Ended September 30, 2013**

	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Reported as Follows in the Statement of Net Position:				
Cash and cash equivalents	\$ 5,012,333	\$ 2,930,220	\$ 277,411	\$ 8,219,964
Restricted cash and cash equivalents	809,028	10,000	-	819,028
	\$ 5,821,361	\$ 2,940,220	\$ 277,411	\$ 9,038,992
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 988,153	\$ 480,428	\$ (196,248)	\$ 1,272,333
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	651,004	276,410	42,920	970,334
Bad debt expense	13,552	126,131	-	139,683
Gain on disposal of assets	(24,874)	(23,350)	-	(48,224)
Changes in:				
Receivables	(50,979)	(33,069)	(15,436)	(99,484)
Due from other governments	(75,397)	(20,575)	-	(95,972)
Prepaid expenses	-	-	16,838	16,838
Accounts payable and accrued liabilities	(413,270)	(114,039)	(15,243)	(542,552)
Compensated absences	17,662	2,344	8,374	28,380
Other post employment benefits	18,788	6,261	-	25,049
Net cash provided by (used in) operating activities	\$ 1,124,639	\$ 700,541	\$ (158,795)	\$ 1,666,385

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2013**

Assets	Pension Trust Funds		
	General Employees' Pension Fund	Police Officers' Retirement Fund	Total
Accounts Receivable	\$ -	\$ 5,018	\$ 5,018
Investments at Fair Value	14,352,959	17,058,189	31,411,148
Total assets	14,352,959	17,063,207	31,416,166
Liabilities and Net Position			
Liabilities:			
Accounts payable	1,204	-	1,204
Advance contributions from Town	1,623,299	629,849	2,253,148
Total liabilities	1,624,503	629,849	2,254,352
Net Assets Held in Trust for Pension Benefits	\$ 12,728,456	\$ 16,433,358	\$ 29,161,814

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2013**

	Pension Trust Funds		
	General Employees' Pension Fund	Police Officers' Retirement Fund	Total
Additions:			
Contributions:			
Employer	\$ 866,622	\$ 1,516,175	\$ 2,382,797
Employee	-	143,850	143,850
Total contributions	866,622	1,660,025	2,526,647
Investment earnings, including net unrealized gain on investments	1,868,925	2,208,538	4,077,463
Total additions	2,735,547	3,868,563	6,604,110
Deductions:			
Benefit payments	636,514	630,440	1,266,954
Administrative expenses	6,102	24,599	30,701
Total deductions	642,616	655,039	1,297,655
Change in net position	2,092,931	3,213,524	5,306,455
Net Assets Held in Trust for Pension Benefits:			
Beginning of year	10,635,525	13,219,834	23,855,359
End of year	\$ 12,728,456	\$ 16,433,358	\$ 29,161,814

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements September 30, 2013

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, 2013.

B. Financial Reporting Entity

The Town is a Florida municipal corporation with a five-member Town Council comprised of the Mayor and four Councilpersons. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town (the primary government) and its component unit (an entity for which the Town is considered to be financially accountable). Blended component units, although legally separate entities, are in substance part of the Town’s operations, and the Town Council is its governing body. Therefore, data from these units are combined with data of the primary government. The Town has no component units that require discrete presentation. Using the criteria of GASB Statement No. 61, management determined the following component unit should be blended:

Town of Medley Foundation, Inc.

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

C. Government-Wide and Fund Financial Statements

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

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

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

TOWN OF MEDLEY, FLORIDA

Notes to the Financial Statements – Continued September 30, 2013

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
September 30, 2013**

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 Position or Equity

(1) Deposits and Investments

(a) Cash and Cash Equivalents

Florida Statutes provide for risk sharing collateral pools by banks and savings and loan associations. These pools collateralize local government deposits and certificates of deposit with the participating depositories. The Town's demand deposits and certificates of deposit are placed in such authorized depositories.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. At September 30, 2013, the carrying amount of the Town's deposits was \$19,480,137 and the bank balances of the Town's deposits were \$19,954,799. 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.

(b) Restricted Assets – Cash and Cash Equivalents

Proceeds from forfeiture funds are classified as restricted in the general fund since these resources are specifically earmarked for law enforcement purposes only. Additionally, proceeds from the People's Transportation Tax are classified as restricted since these resources may only be used for road and transportation related expenditures.

(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 deposit in regional or national financial institutions.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

1. Summary of Significant Accounting Policies – Continued:

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

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

(b) Interest Rate Risk

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

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

(c) Foreign Currency Risk

Foreign currency risk is the risk that the change in exchange rates will adversely affect the fair value of an investment. The Town’s general employees’ pension fund and the police officers’ retirement fund hold \$1,422,933 and \$1,828,563, respectively, in various foreign equities as of September 30, 2013. The foreign holdings account for approximately 10% and 11% of 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 29% of its investments in fixed income securities, 61% in domestic equity, and 10% in international stock. The police officers’ retirement fund presently has allocated 29% of its investment in fixed income securities, 60% in domestic equity, and 11% 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.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

1. Summary of Significant Accounting Policies – Continued:

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

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

(e) Concentrations of Credit Risk

All of the investments in the pension funds are held by the Standard Insurance Company. Within those accounts, investments which comprise 5% or more of the plans’ assets at September 30, 2013, are as follows:

	<u>General Employees’ Pension Plan</u>	<u>Police Officers’ Retirement Fund</u>
Harbor Bond	\$ 1,084,068	\$ 2,467,716
Harbor International Instl	718,782	-
Oakmark International I	-	1,828,563
Mainstay Map I	1,005,684	-
Stable Asset Fund II	2,807,628	2,463,181
T. Rowe Price Equity – Income	2,281,883	-
T. Rowe Price Growth Stock	2,404,022	-
Vanguard 500 Index Admiral DB	-	1,877,594
Vanguard 500 Index Signal DB	998,908	-
Vanguard Morgan Growth Adml DB	-	1,937,596
Vanguard REIT Index Signal DB	-	938,813
Vanguard Value Index Signal DB	-	1,852,616
	<u>\$ 11,300,975</u>	<u>\$ 13,366,079</u>

(3) Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the 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 12 for details of interfund transactions, including receivables and payables at year-end.

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

(4) Capital Assets

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

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

1. Summary of Significant Accounting Policies – Continued:

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

(4) Capital Assets – Continued

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

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

(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, 2013. Loan costs consist of the following at September 30, 2013:

	Water and Wastewater Fund
Loan costs	\$ 87,866
Accumulated amortization	(21,111)
	\$ 66,755

(6) Deferred Revenue

Deferred revenue recorded in the governmental funds relates to fees received prior to September 30, 2013, that are for fiscal year 2014 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 position and represents a reconciling item between the fund and government-wide presentations.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

1. Summary of Significant Accounting Policies – Continued:

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

(10) Long-Term Obligations

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

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

(11) Fund Balances – Governmental Funds

As of September 30, 2013, fund balances of the governmental funds are classified as follows:

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

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

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

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

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

1. Summary of Significant Accounting Policies – Continued:

F. Employee Benefit Plans

(1) Employee Benefit Plans and Net Pension Assets

The Town provides separate defined benefit pension plans for general employees and for uniformed police 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, 2013, 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 position. 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.

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.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

1. Summary of Significant Accounting Policies – Continued:

G. Stewardship, Compliance, and Accountability – Continued

Legally Authorized Nonappropriated Budgets:

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

H. Estimates

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

I. Reclassifications

Certain amounts in the September 30, 2012, basic financial statements have been reclassified to conform to the September 30, 2013, presentation. These reclassifications had no effect on total assets, liabilities, net position, or fund equity.

J. Subsequent Events

The Town has evaluated subsequent events through June 17, 2014, the date which the financial statements were available to be issued.

2. Cash, Cash Equivalents, and Investments:

Cash and cash equivalents at September 30, 2013, consists of the following:

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Total All Funds</u>	<u>Financial Institution Balance</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Funds</u>		
Unrestricted:					
Demand deposits	\$ 1,223,071	\$ -	\$ 814,193	\$ 2,037,264	\$ 2,507,274
Money market funds	<u>5,374,737</u>	<u>85,564</u>	<u>7,405,771</u>	<u>12,866,072</u>	<u>12,856,535</u>
	<u>6,597,808</u>	<u>85,564</u>	<u>8,219,964</u>	<u>14,903,336</u>	<u>15,363,809</u>
Restricted:					
Demand deposits	63,052 ³	-	661,450 ^{1&4}	724,502	741,474
Money market funds	<u>3,694,721 ^{3&5}</u>	<u>-</u>	<u>157,578 ²</u>	<u>3,852,299</u>	<u>3,849,516</u>
	<u>3,757,773</u>	<u>-</u>	<u>819,028</u>	<u>4,576,801</u>	<u>4,590,990</u>
Total Cash and Cash Equivalents	<u>\$ 10,355,581</u>	<u>\$ 85,564</u>	<u>\$ 9,038,992</u>	<u>\$ 19,480,137</u>	<u>\$ 19,954,799</u>

¹ Restricted for customer utility deposits

² Restricted for debt service

³ Restricted for law enforcement

⁴ Restricted for deferred developer fees

⁵ Restricted for transportation

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

2. Cash, Cash Equivalents, and Investments – Continued:

Investments at September 30, 2013, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Fund Type</u>		
	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Total All Funds</u>	<u>Financial Institution Balance</u>
	<u>Cost and Fair Value</u>	<u>Cost and Fair Value</u>	<u>Cost and Fair Value</u>	
Certificates of deposit – unrestricted	\$ <u>5,283,593</u>	\$ <u>4,698,720</u>	\$ <u>9,982,313</u>	\$ <u>9,987,558</u>

3. Receivables and Due From Other Governments:

Receivables and due from other governments consist of the following at September 30, 2013:

	<u>Governmental Fund</u>	<u>Enterprise Funds</u>				
	<u>General Fund</u>	<u>Water and Wastewater</u>	<u>Stormwater Utility</u>	<u>Police Gun Range</u>	<u>Total Enterprise</u>	<u>Total</u>
Receivables:						
User charges	\$ 22,232	\$ 823,737	\$ 295,316	\$ 36,325	\$ 1,155,378	\$ 1,177,610
Interest	22,501	2,599	9,737	-	12,336	34,837
Utility taxes	106,308	-	-	-	-	106,308
Franchise fees	210,983	-	-	-	-	210,983
Other	13,814	-	-	-	-	13,814
Total receivables	<u>375,838</u>	<u>826,336</u>	<u>305,053</u>	<u>36,325</u>	<u>1,167,714</u>	<u>1,543,552</u>
Due from other governments:						
State of Florida – communication services	58,375	-	-	-	-	58,375
Other	40,985	75,397	20,575	-	95,972	136,957
Total due from other governments	<u>99,360</u>	<u>75,397</u>	<u>20,575</u>	<u>-</u>	<u>95,972</u>	<u>195,332</u>
Allowance for doubtful accounts	<u>(14,007)</u>	<u>(45,000)</u>	<u>(124,000)</u>	<u>(10,000)</u>	<u>(179,000)</u>	<u>(193,007)</u>
	<u>\$ 461,191</u>	<u>\$ 856,733</u>	<u>\$ 201,628</u>	<u>\$ 26,325</u>	<u>\$ 1,084,686</u>	<u>\$ 1,545,877</u>
Bad debt expense for the year ended September 30, 2013	<u>\$ 5,507</u>	<u>\$ 13,552</u>	<u>\$ 126,131</u>	<u>\$ -</u>	<u>\$ 139,683</u>	<u>\$ 142,900</u>

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

4. Capital Assets:

A. Changes in Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance, October, 1 <u>2012</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	Balance, September 30, <u>2013</u>
Government Activities:					
Capital assets not being depreciated:					
Land	\$ 3,527,975	\$ -	\$ (60,074)	\$ -	\$ 3,467,901
Infrastructure	99,894,213	-	-	-	99,894,213
Construction in progress	<u>391,441</u>	<u>259,976</u>	<u>-</u>	<u>(240,078)</u>	<u>411,339</u>
Total capital assets not being depreciated	<u>103,813,629</u>	<u>259,976</u>	<u>(60,074)</u>	<u>(240,078)</u>	<u>103,773,453</u>
Capital assets being depreciated:					
Buildings and improvements	14,446,184	106,263	(1,690,274)	-	12,862,173
Infrastructure	43,214,698	10,358	-	240,078	43,465,134
Transportation equipment	2,280,930	608,562	(425,710)	-	2,463,782
Machinery and equipment	<u>2,596,049</u>	<u>378,933</u>	<u>(567,752)</u>	<u>-</u>	<u>2,407,230</u>
Total capital assets being depreciated	62,537,861	1,104,116	(2,683,736)	240,078	61,198,319
Accumulated depreciation	<u>(28,770,418)</u>	<u>(2,021,584)</u>	<u>2,136,380</u>	<u>-</u>	<u>(28,655,622)</u>
Capital assets being depreciated, net	<u>33,767,443</u>	<u>(917,468)</u>	<u>(547,356)</u>	<u>240,078</u>	<u>32,542,697</u>
Government activities – capital assets, net	<u>\$ 137,581,072</u>	<u>\$ (657,492)</u>	<u>\$ (607,430)</u>	<u>\$ -</u>	<u>\$ 136,316,150</u>

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

4. Capital Assets – Continued:

A. Changes in Capital Assets – Continued

	Balance, October, 1 2012	Additions	Dispositions	Transfers	Balance, September 30, 2013
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	78,626	14,751	-	-	93,377
Stormwater utility fund	987,546	1,169,514	(1,650)	-	2,155,410
	<u>1,066,172</u>	<u>1,184,265</u>	<u>(1,650)</u>	<u>-</u>	<u>2,248,787</u>
Total capital assets not being depreciated	<u>1,510,410</u>	<u>1,184,265</u>	<u>(1,650)</u>	<u>-</u>	<u>2,693,025</u>
Capital assets being depreciated:					
Land and improvements:					
Medley Lakeside Retirement Park fund	321,601	-	-	-	321,601
	<u>321,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321,601</u>
Water, wastewater, and stormwater utility systems:					
Water and wastewater fund	23,457,448	-	-	-	23,457,448
Stormwater utility fund	7,760,154	-	-	-	7,760,154
	<u>31,217,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,217,602</u>
Buildings and improvements:					
Water and wastewater fund	565,991	-	(622)	-	565,369
Medley Lakeside Retirement Park fund	299,623	6,924	-	-	306,547
Police gun range fund	242,563	11,394	-	-	253,957
	<u>1,108,177</u>	<u>18,318</u>	<u>(622)</u>	<u>-</u>	<u>1,125,873</u>
Transportation equipment:					
Water and wastewater fund	560,910	28,495	(21,749)	-	567,656
Stormwater utility fund	397,779	26,590	-	-	424,369
Medley Lakeside Retirement Park fund	3,634	-	-	-	3,634
	<u>962,323</u>	<u>55,085</u>	<u>(21,749)</u>	<u>-</u>	<u>995,659</u>
Machinery and equipment:					
Water and wastewater fund	1,080,458	31,309	(161,036)	-	950,731
Stormwater utility fund	675,379	2,499	(75,664)	-	602,214
Medley Lakeside Retirement Park fund	32,874	-	-	-	32,874
Police gun range fund	107,242	40,094	-	-	147,336
	<u>1,895,953</u>	<u>73,902</u>	<u>(236,700)</u>	<u>-</u>	<u>1,733,155</u>
Total capital assets being depreciated:					
Water and wastewater fund	25,664,807	59,804	(183,407)	-	25,541,204
Stormwater utility fund	8,833,312	29,089	(75,664)	-	8,786,737
Medley Lakeside Retirement Park fund	657,732	6,924	-	-	664,656
Police gun range fund	349,805	51,488	-	-	401,293
	<u>35,505,656</u>	<u>147,305</u>	<u>(259,071)</u>	<u>-</u>	<u>35,393,890</u>
Accumulated depreciation:					
Water and wastewater fund	(10,381,389)	(646,611)	174,079	-	(10,853,921)
Stormwater utility fund	(2,353,600)	(276,410)	75,664	-	(2,554,346)
Medley Lakeside Retirement Park fund	(542,289)	(14,902)	-	-	(557,191)
Police gun range fund	(241,276)	(28,018)	-	-	(269,294)
Total accumulated depreciation	<u>(13,518,554)</u>	<u>(965,941)</u>	<u>249,743</u>	<u>-</u>	<u>(14,234,752)</u>
Capital assets being depreciated, net	<u>21,987,102</u>	<u>(818,636)</u>	<u>(9,328)</u>	<u>-</u>	<u>21,159,138</u>
Business-type activities – capital assets, net	<u>\$ 23,497,512</u>	<u>\$ 365,629</u>	<u>\$ (10,978)</u>	<u>\$ -</u>	<u>\$ 23,852,163</u>

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

4. Capital Assets – Continued:

B. Depreciation Expense

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

Governmental Activities:		
General government	\$	1,567,276
Public safety		331,640
Physical environment		27,902
Human services		21,418
Culture and recreation		<u>73,348</u>
	\$	<u>2,021,584</u>
Business-Type Activities:		
Water and wastewater utility	\$	<u>646,611</u>
Stormwater utility		<u>276,410</u>
Medley Lakeside Retirement Park		<u>14,902</u>
Police gun range		<u>28,018</u>

5. Accounts Payable and Accrued Liabilities:

Accounts payable and accrued liabilities consist of the following at September 30, 2013:

	General Funds	Town of Medley Foundation Inc.	Total Governmental	Water and Wastewater	Stormwater Utility	Medley Lakeside Retirement Park	Police Gun Range	Total Enterprise	Total
Vendors	\$ 553,182	\$ 998	\$ 554,180	\$ 47,616	\$ 55,087	\$ 14,636	\$ 12,743	\$ 130,082	\$ 684,262
Salaries and benefits	186,839	-	186,839	26,038	6,449	1,329	2,277	36,093	222,932
Compensated absences	4,287	-	4,287	-	-	-	-	-	4,287
Interest	-	-	-	41,773	-	-	-	41,773	41,773
DERM Taxes	-	-	-	<u>409,225</u>	-	-	-	<u>409,225</u>	<u>409,225</u>
	<u>\$ 744,308</u>	<u>\$ 998</u>	<u>\$ 745,306</u>	<u>\$ 524,652</u>	<u>\$ 61,536</u>	<u>\$ 15,965</u>	<u>\$ 15,020</u>	<u>\$ 617,173</u>	<u>\$ 1,362,479</u>

6. Ad Valorem Tax Revenues:

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

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

6. Ad Valorem Tax Revenues – Continued:

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters, which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Town.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town Council and the Miami-Dade County Property Appraiser incorporates the Town’s millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2013, was 5.585 mills (5.585 per \$1,000 of taxable assessed valuation). The Town levied a millage rate of 5.380 mills for fiscal year 2014.

7. Employee Benefit Plans:

A. Single Employer Defined Benefit Plans

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

- **General Employees’ Pension Plan:** The Town of Medley’s General Employees’ Pension Plan provides retirement benefits for substantially all full-time nonsworn police officers and elected officials of the Town. General Employees’ Pension Plan information in this note is provided as of the latest actuarial valuation, October 1, 2012.
- **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, 2012.

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	53	34	87
Retirees and beneficiaries currently receiving benefits	21	8	29
Terminated plan members entitled to but not yet receiving benefits	12	4	16
	86	46	132

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

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

	General Employees' Pension Plan	Police Officers' Retirement Plan
Year established and governing authority	2003 Town Resolution	2005 Town Ordinance
Determination of contribution requirements	Actuarially	Actuarially
Employer	Actuarially determined	Actuarially determined
Plan members	Non-contributory	5% of covered payrolls
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 of age 62 for general employees; 8 years of credited service or age 55 for elected officials	25 years of credited service and age 52 or 10 years of credited service and age 55
Death benefits	Survivor benefit based on normal retirement date and vested account	Survivor benefit based on normal retirement date and vested account

(4) Annual Required Contributions

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

	General Employees' Pension Plan	Police Officers' Retirement Plan
Provision for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Valuation date	October 1, 2012	October 1, 2012
Actuarial cost method	Aggregate	Frozen Initial Liability
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	7.50%
Projected salary increases	Variable	Variable
Post retirement benefit increases	N/A	N/A
Inflation	2.50%	2.50%
Cost-of-living adjustments	Change in price index	N/A

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

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

	General Employees' Pension Plan			Police Officers' Retirement Plan		
	Annual Pension Costs	Percentage Contributed	Net Pension Obligation (Asset)	Annual Pension Costs	Percentage Contributed	Net Pension Obligation (Asset)
Year Ended September 30,						
2013	\$ 866,622	\$ 100%	\$ (1,623,299)	\$ 1,516,175	\$ 100%	\$ (629,849)
2012	1,133,056	100%	(1,189,921)	1,260,367	100%	(647,158)
2011	1,315,711	100%	(1,222,977)	1,989,783	100%	(234,806)

(6) Reserves

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

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 plan, to hold the trust assets and to perform all non-discretionary functions necessary for the administration of the plan with respect to assets in the plans deposited with the trust.

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

As of September 30, 2013, there were 64 active participants in the money purchase plan.

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

Vesting Provision of Town's Contributions – Under the provisions of the defined contribution money purchase plan, benefits attributable to the Town's contributions vest immediately as of the entry date into the new plan. No new entrants are permitted into the plan.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

7. Employee Benefit Plans – Continued:

B. Money Purchase Plan – Continued

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 \$118,577 to the money purchase plan.

C. Deferred Compensation Plan

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

D. Post Employment Benefits Other Than Pension:

(1) Plan Description

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

(2) Funding Policy

The Town is financing the post employment benefits on a pay-as-you-go basis. For fiscal year 2013, twenty-four retirees and dependents received health care benefits. Annual required contributions amounted to \$360,000 for the current fiscal year, towards which the Town made a contribution of approximately \$218,000. At September 30, 2013, the Town recorded net OPEB obligations of \$781,410 for governmental activities and \$215,530 for business-type activities in its government-wide statement of net position. The water and wastewater, stormwater utility, and police gun range reported net OPEB obligations at September 30, 2013, of \$160,219, \$50,476, and \$4,835, respectively. The OPEB obligation is a function of annual required contributions, interest, adjustments to the annual required contributions, annual pension costs, and actual employers’ contributions made to the plan.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

7. Employee Benefit Plans – Continued:

D. Post Employment Benefits Other Than Pension – Continued:

(3) Annual OPEB Cost and Net OPEB Obligation – Continued:

The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 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	\$	360,000
Interest on net OPEB obligation		30,000
Adjustment to annual required contributions		<u>(30,000)</u>
Annual OPEB cost (expense)		360,000
Employer contributions		<u>(218,000)</u>
Increase in net OPEB obligation		142,000
Net OPEB obligation, beginning of year		<u>855,000</u>
Net obligation, end of year	\$	<u><u>997,000</u></u>

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

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2013, and the preceding three years were as follows (rounded):

Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributions	Net OPEB Obligations
2013	\$ 360,000	60.3%	\$ 997,000
2012	360,000	42.8%	855,000
2011	328,000	49.4%	649,000

(4) Funded Status and Funding Progress

As of September 30, 2012, the date of the most recent actuarial valuation, the unfunded actuarial accrued liability for benefits was \$3,471,483, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,667,796, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 61%. 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.

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

7. Employee Benefit Plans – Continued:

D. Post Employment Benefits Other Than Pension – Continued:

(4) Funded Status and Funding Progress – Continued:

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, 2012, 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 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, 2013, the Town received \$239,557 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, 2013, the Town received \$181,740 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).

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

<u>Year Ending September 30,</u>	<u>Minimum Lease Payments</u>	<u>Estimated Contingent Rentals</u>	<u>Estimated Total Amount</u>
2014	\$ 60,000	\$ 49,993	\$ 109,993
2015	60,000	53,293	113,293
2016	60,000	56,692	116,692
2017	60,000	60,193	120,193
2018	60,000	63,799	123,799
2019 – 2023	300,000	376,981	676,981
2024 – 2028	300,000	484,805	784,805
2029	30,000	55,683	85,683
	<u>\$ 930,000</u>	<u>\$ 1,201,439</u>	<u>\$ 2,131,439</u>

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

8. Operating Leases – Continued:

Total fiscal 2013 rental expenditures under the ground lease were \$107,607 including \$47,607 of contingent rentals.

Total rents under all operating leases, including short-term, month-to-month rentals, were \$125,101 for the year ended September 30, 2013.

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, 2013, are as follows:

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013
Notes payable	\$ 6,360,359	\$ 200,000	\$ 300,717	\$ 6,259,642
Compensated absences	687,473	10,613	-	698,086
Other post employment benefits	<u>664,056</u>	<u>315,998</u>	<u>198,645</u>	<u>781,409</u>
	<u>\$ 7,711,888</u>	<u>\$ 526,611</u>	<u>\$ 499,362</u>	<u>\$ 7,739,137</u>

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

<u>Fiscal Year</u>	<u>Governmental Fund Type</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 331,896	\$ 152,037	\$ 483,933
2015	339,537	144,113	483,650
2016	344,880	135,935	480,815
2017	350,379	127,602	477,981
2018	356,036	119,108	475,144
2019 – 2023	1,776,845	464,455	2,241,300
2024 – 2028	1,871,716	237,443	2,109,159
2029 – 2031	<u>888,353</u>	<u>26,662</u>	<u>915,015</u>
	<u>\$ 6,259,642</u>	<u>\$ 1,407,355</u>	<u>\$ 7,666,997</u>

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

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

9. Long-Term Obligations – Continued:

A. Governmental Fund Type Long-Term Obligations – Continued

Description of Governmental Fund Type Long-Term Obligations:

Note Payable – TD Bank Capital Improvement Refunding Revenue Note Series 2010A, monthly principal payments of \$12,500 plus variable interest of 69% of one month LIBOR (1.89% at September 30, 2013, subject to adjustment monthly through December 2030, collateralized by the full faith and credit of the Town.	\$ 2,574,500
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.	3,485,142
Note Payable – TD Bank Public Improvement Revenue Note Series 2013, monthly payments of \$2,553 including fixed interest at 1.64% through September 2020, collateralized by pledged revenues of the Town.	<u>200,000</u>
	<u>\$ 6,259,642</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, 2013, are as follows:

	<u>Balance October 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, September 30, 2013</u>
Notes payable	\$ 3,723,467	\$ 595,367	\$ 189,603	\$ 4,129,231
Compensated absences	105,222	28,380	-	133,602
Other post employment benefits	<u>190,480</u>	<u>44,001</u>	<u>18,952</u>	<u>215,529</u>
	<u>\$ 4,019,169</u>	<u>\$ 667,748</u>	<u>\$ 208,555</u>	<u>\$ 4,478,362</u>

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

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.	\$ 811,760
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 October 15 and April 15 through May 15, 2024, 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.	2,722,104
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 1.95% per annum, payable in semiannual principal and interest payments of \$93,405 beginning on September 15, 2014, through September 15, 2017, uncollateralized.	<u>595,367</u>
	<u>\$ 4,129,231</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>	Proprietary Fund Type		<u>Total Debt Service</u>
	Principal	Interest	
2014	\$ 281,760	\$ 94,732	\$ 376,492
2015	376,606	92,932	469,538
2016	385,252	84,286	469,538
2017	360,631	73,969	434,600
2018	215,566	67,883	283,449
2019 - 2023	1,164,370	252,870	1,417,240
2024 - 2028	962,313	198,521	1,160,834
2029 - 2030	382,733	209,459	592,192
	<u>\$ 4,129,231</u>	<u>\$ 1,074,652</u>	<u>\$ 5,203,883</u>

Interest costs incurred in enterprise funds during construction are capitalized, net of interest income from the proceeds of related tax-exempt debt, if any, as part of the cost of the related assets of the water and wastewater fund. Total interest cost incurred in the water and wastewater fund was \$94,179 for the year ended September 30, 2013. 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, 2013.

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).

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

10. Risk Management – Continued:

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 26 projects estimated to cost \$64 million in 2012 dollars over the next five 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. 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, 2013, this payment totaled \$15,000.

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

D. Grant Expenditures

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

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

12. Other Required Individual Fund Disclosures:

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

A. Interfund Transactions and Balances

Individual fund interfund receivable and payable balances at September 30, 2013, were:

	Interfund Receivables	Interfund Payables
Fund:		
Governmental funds:		
General fund	\$ 310,847	\$ -
Special revenue fund	-	16,841
Proprietary funds:		
Water and wastewater fund	13,114	132,965
Stormwater utility fund	-	121,338
Medley Lakeside Retirement Park fund	125	10,003
Police gun range fund	-	42,939
	\$ 324,086	\$ 324,086

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

Interfund transfers for the year ended September 30, 2013, were:

	Transfers In	Transfers Out
General Fund:		
Medley Lakeside Retirement Park fund	\$ -	\$ 188,575
Medley Lakeside Retirement Park fund:		
General fund	188,575	-
	\$ 188,575	\$ 188,575

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

TOWN OF MEDLEY, FLORIDA

**Notes to the Financial Statements – Continued
September 30, 2013**

13. Fund Balances:

The Town’s fund balances are as follows at September 30, 2013:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Nonspendable:			
Prepays	\$ 2,423,869	\$ -	\$ 2,423,869
Total nonspendable	<u>2,423,869</u>	<u>-</u>	<u>2,423,869</u>
Restricted:			
Law enforcement	3,706,306	-	3,706,306
Transportation	51,467	-	51,467
Total restricted	<u>3,757,773</u>	<u>-</u>	<u>3,757,773</u>
Committed:			
Foundation activities	-	67,725	67,725
Total committed	<u>-</u>	<u>67,725</u>	<u>67,725</u>
Assigned:			
Pension	2,000,000	-	2,000,000
Working capital	2,400,000	-	2,400,000
Retiree health insurance	400,000	-	400,000
Debt service	500,000	-	500,000
Total assigned	<u>5,300,000</u>	<u>-</u>	<u>5,300,000</u>
Unassigned	<u>6,348,654</u>	<u>-</u>	<u>6,348,654</u>
Total fund balances	<u>\$ 17,830,296</u>	<u>\$ 67,725</u>	<u>\$ 17,898,021</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, 2013

	Original and Final Budget	Actual	Variance
Revenues:			
Ad valorem taxes	\$ 9,150,062	\$ 8,158,193	\$ (991,869)
Utility taxes	1,053,000	1,151,012	98,012
Other general taxes	868,800	923,828	55,028
Intergovernmental	179,740	197,972	18,232
Permits, fees, and licenses	2,074,000	2,636,634	562,634
Fines and forfeitures	590,400	1,094,446	504,046
User charges	79,000	169,897	90,897
Miscellaneous	83,000	143,902	60,902
Total revenues	14,078,002	14,475,884	397,882
Expenditures:			
Current operating:			
General government	4,912,995	5,174,977	261,982
Public safety	5,351,644	5,713,822	362,178
Physical environment	786,953	818,599	31,646
Human services	1,089,530	1,193,051	103,521
Culture and recreation	803,535	815,656	12,121
Capital outlay	579,333	1,364,092	784,759
Debt service	464,000	459,974	(4,026)
Total expenditures	13,987,990	15,540,171	1,552,181
Excess (Deficiency) of Revenues Over Expenditures			
	90,012	(1,064,287)	(1,154,299)
Other Financing Sources (Uses):			
Proceeds from sale of building	-	2,600,000	2,600,000
Proceeds from issuance of debt	-	200,000	200,000
Transfers in	99,988	-	(99,988)
Transfers out	(190,000)	(188,575)	1,425
Total other financing sources (uses)	(90,012)	2,611,425	2,701,437
Excess of Revenues Over Expenditures and Other Financing Sources (Uses)			
	-	1,547,138	1,547,138
Fund Balances, beginning of year			
	16,283,158	16,283,158	-
Fund Balances, end of year			
	\$ 16,283,158	\$ 17,830,296	\$ 1,547,138

TOWN OF MEDLEY, FLORIDA

**Defined Benefit Pension Trust Funds
Required Supplementary Information
Year Ended September 30, 2013**

A. Schedules of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
General Employees' Pension Fund:						
October 1, 2012	\$ 11,826,650	\$ 17,012,666	\$ 5,186,016	69.50%	\$ 1,976,411	262.40%
October 1, 2011	9,281,214	15,513,448	6,232,234	59.80%	2,224,763	280.10%
October 1, 2010	8,491,233	15,863,345	7,372,112	53.50%	2,640,787	279.20%
Police Officers' Retirement Fund:						
October 1, 2012	\$ 11,981,793	\$ 18,575,827	\$ 6,594,034	64.50%	\$ 2,688,574	245.30%
October 1, 2011	10,205,507	16,242,013	6,036,506	62.80%	2,381,807	253.40%
October 1, 2010	8,690,799	15,864,972	7,174,173	54.80%	2,416,247	296.90%
Other Post Employment Benefits:						
September 30, 2012	\$ -	\$ 3,471,483	\$ 3,471,483	-%	\$ 5,814,326	60.00%
September 30, 2009	-	3,460,071	3,460,071	-%	5,667,673	61.00%

B. Schedules of Employer Contributions:

	Required Contribution	Percentage Contributed	Net Pension/OPEB Obligation (Asset)
General Employees' Pension Fund:			
From October 1, 2012, through September 30, 2013	\$ 866,622	100%	\$ (1,623,299)
From October 1, 2011, through September 30, 2012	1,133,056	100%	(1,189,921)
From October 1, 2010, through September 30, 2011	1,315,711	100%	(1,222,977)
Police Officers' Retirement Fund:			
From October 1, 2012, through September 30, 2013	\$ 1,516,175	100%	\$ (629,849)
From October 1, 2011, through September 30, 2012	1,260,367	100%	(647,158)
From October 1, 2010, through September 30, 2011	1,989,783	100%	(234,806)
Other Post Employment Benefits:			
From October 1, 2012, through September 30, 2013	\$ 360,000	60.30%	\$ 996,940
From October 1, 2011, through September 30, 2012	360,000	42.80%	854,535
From October 1, 2010, through September 30, 2011	328,000	49.40%	648,964

TOWN OF MEDLEY, FLORIDA
Defined Benefit Pension Trust Funds
Required Supplementary Information – Continued
Year Ended September 30, 2013

C. Notes to Required Supplementary Information:

	General Employees' Pension Fund	Police Officers' Retirement Fund
Valuation date	October 1, 2012	October 1, 2012
Actuarial cost method	Aggregate	Frozen Initial Liability
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	7.50%
Projected salary increases	Variable	Variable
Inflation	2.50%	2.50%
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 Position
September 30, 2013**

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	\$ 48,669	\$ 228,742	\$ 277,411
Receivables, net	-	26,325	26,325
Due from other funds	125	-	125
Total current assets	<u>48,794</u>	<u>255,067</u>	<u>303,861</u>
Capital Assets, net	<u>107,465</u>	<u>131,999</u>	<u>239,464</u>
Total assets	<u>156,259</u>	<u>387,066</u>	<u>543,325</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	15,965	15,020	30,985
Due to other funds	10,003	42,939	52,942
Total current liabilities	<u>25,968</u>	<u>57,959</u>	<u>83,927</u>
Long-Term Obligations:			
Compensated absences	1,341	7,033	8,374
Other post employment benefits	-	4,834	4,834
Total long-term liabilities	<u>1,341</u>	<u>11,867</u>	<u>13,208</u>
Total liabilities	<u>27,309</u>	<u>69,826</u>	<u>97,135</u>
Net Position			
Invested in Capital Assets	107,465	131,999	239,464
Unrestricted	<u>21,485</u>	<u>185,241</u>	<u>206,726</u>
Total net position	<u>\$ 128,950</u>	<u>\$ 317,240</u>	<u>\$ 446,190</u>

TOWN OF MEDLEY, FLORIDA

**Other Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2013**

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Operating Revenues:			
User charges	\$ 181,740	\$ 239,557	\$ 421,297
Miscellaneous other	-	4,222	4,222
Total operating revenues	181,740	243,779	425,519
Operating Expenses:			
Salaries, wages, and employee benefits	34,070	151,475	185,545
Contractual services, materials, and supplies	315,505	77,797	393,302
Depreciation and amortization	14,902	28,018	42,920
Total operating expenses	364,477	257,290	621,767
Operating Loss	(182,737)	(13,511)	(196,248)
Non-Operating Revenues:			
Interest income	19	987	1,006
Total non-operating revenues	19	987	1,006
Loss Before Transfers	(182,718)	(12,524)	(195,242)
Transfers:			
Transfers in	188,575	-	188,575
Total transfers	188,575	-	188,575
Net Income (Loss)	5,857	(12,524)	(6,667)
Net Position, beginning of year	123,093	329,764	452,857
Net Position, end of year	\$ 128,950	\$ 317,240	\$ 446,190

TOWN OF MEDLEY, FLORIDA

**Other Proprietary Funds
Combining Statement of Cash Flows
Year Ended September 30, 2013**

	<u>Medley Lakeside Retirement Park Fund</u>	<u>Police Gun Range Fund</u>	<u>Total Other Proprietary Funds</u>
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 181,740	\$ 228,343	\$ 410,083
Payments to suppliers	(292,046)	(99,661)	(391,707)
Payments to employees	(32,729)	(144,442)	(177,171)
Net cash used in operating activities	<u>(143,035)</u>	<u>(15,760)</u>	<u>(158,795)</u>
Cash Flows From Noncapital Financing Activities:			
Transfers from other funds	188,575	-	188,575
Change in due from/to other funds	(6,636)	21,894	15,258
Net cash provided by noncapital financing activities	<u>181,939</u>	<u>21,894</u>	<u>203,833</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(6,924)	(51,488)	(58,412)
Net cash used in capital and related financing activities	<u>(6,924)</u>	<u>(51,488)</u>	<u>(58,412)</u>
Cash Flows From Investing Activities:			
Redemption of investments	-	56,441	56,441
Interest income received	19	1,409	1,428
Net cash provided by investing activities	<u>19</u>	<u>57,850</u>	<u>57,869</u>
Net Increase in Cash and Cash Equivalents	31,999	12,496	44,495
Cash and Cash Equivalents, beginning of year	<u>16,670</u>	<u>216,246</u>	<u>232,916</u>
Cash and Cash Equivalents, end of year	<u>\$ 48,669</u>	<u>\$ 228,742</u>	<u>\$ 277,411</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:			
Operating loss	\$ (182,737)	\$ (13,511)	\$ (196,248)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	14,902	28,018	42,920
Changes in:			
Receivables	-	(15,436)	(15,436)
Prepaid expenses	16,838	-	16,838
Accounts payable and accrued liabilities	6,621	(21,864)	(15,243)
Compensated absences	1,341	7,033	8,374
Net cash used in operating activities	<u>\$ (143,035)</u>	<u>\$ (15,760)</u>	<u>\$ (158,795)</u>

SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION



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

Honorable Mayor and Town Council
Town of Medley, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Medley, Florida (the "Town"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 17, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (items 2013-01 and 2013-02).

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (items 2013-03 and 2013-04).

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*.

Town's Response to Findings

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

Purpose of This Report

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

Aurett Warmus Durkee

Orlando, Florida
June 17, 2014



Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, *Rules of the Auditor General*

Honorable Mayor and Town Council
Town of Medley, Florida

Report on Compliance for Each Major State Project

We have audited Town of Medley, Florida's (the "Town") compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Town's major state projects for the year ended September 30, 2013. The Town's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*. Those standards and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major State Project

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2013.

Honorable Mayor and Town Council
Town of Medley, Florida

Report on Internal Control over Compliance

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

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

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

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

Aurett Warmus Durkee

Orlando, Florida
June 17, 2014

TOWN OF MEDLEY, FLORIDA

**Schedule of Expenditures of State Financial Assistance
Year Ended September 30, 2013**

Description	CSFA Number	Contract Grant Number	Total Expenditures	Pass-Through to Sub- Recipients
State Projects:				
Florida Department of Environmental Protection:				
Wastewater Treatment Facility Construction	37.077*	SW130700	\$ 971,929	\$ -
Small Community Wastewater Facility Grant	37.075	SG777081	<u>140,961</u>	<u>-</u>
Total state financial assistance			<u>\$ 1,112,890</u>	<u>\$ -</u>

* Denotes major program

NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

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

See Independent Auditors' Report on Compliance for Each Major State
Project and on Internal Control Over Compliance Required by
Chapter 10.550, *Rules of the Auditor General*

TOWN OF MEDLEY, FLORIDA

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2013**

I. Summary of Auditors' Results:

1. Financial Statements:

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

2. Major State Projects:

- | | | |
|----|---|--|
| a. | Internal control over major state projects: | |
| 1) | Material weaknesses identified? | No |
| 2) | Significant deficiencies identified not considered to be material weaknesses | None reported |
| b. | The type of auditors' report issued on compliance for major state projects | Unmodified |
| c. | Any audit findings that are required to be reported under Section 10.557, <i>Rules of the Auditor General</i> | No |
| d. | Identification of major state projects: | |
| | <u>CSFA Number</u> | <u>Name of Major State Program</u> |
| | 37.077 | Wastewater Treatment Facility Construction |
| e. | Dollar threshold used to distinguish between Type A and Type B | \$300,000 |
| f. | Qualify as low risk auditee? | No |

TOWN OF MEDLEY, FLORIDA

**Schedule of Findings and Questioned Costs – Continued
Year Ended September 30, 2013**

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

MATERIAL WEAKNESSES:

2013-01 Supervisory Review:

Findings:

Effective internal control of financial reporting requires an element of supervisory review to reduce the ability for unauthorized transactions to occur and go undetected. Due to the small size of the Town, 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. Without proper review and approval, the risk that unauthorized transactions could occur and not be detected in a timely manner is increased.

Recommendation:

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

Management's Response:

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

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

2013-02 Capital Assets:

Findings:

Effective internal control of capital assets requires that an inventory count be performed on a periodic basis to ensure that assets reported on the financial statements are accounted for. The Town has not performed a recent physical inventory, and as such, has not determined if the assets reported on the financial statements are accounted for.

Furthermore, the Town has numerous pump station sites in its boundaries that have not been dedicated nor have easement language contained in their plats to conclusively establish proper dedication in accordance with Florida Statute 177.081. Accordingly, assets with estimated values totaling approximately \$3.5 million are not included in the Town's capital assets.

Recommendation:

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

Management's Response:

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

The Town Council has instituted a 5-year capital improvement plan which addresses its infrastructure needs. As the plan is implemented and construction begins the title issues will be addressed.

TOWN OF MEDLEY, FLORIDA

**Schedule of Findings and Questioned Costs – Continued
Year Ended September 30, 2013**

SIGNIFICANT DEFICIENCIES:

2013-03 Licenses and Permits:

Findings:

Town Resolution C-644 established rates for fees that can be charged to citizens for various permits obtained through the Building Department. During our testing of licenses and permits, we noted several discrepancies and internal control weaknesses as follows:

1. Subsidiary ledgers for licensing and permitting functions do not interface with the general ledger. Reports cannot be generated that show amounts recorded in the general ledger in direct correlation to amounts recorded by the Building Department. Without the ability to reconcile the reports to the general ledger, there is an increased risk of errors or irregularities occurring that may not be detected in a timely manner.
2. The Town periodically receives cash payments for licenses and permits and there are little to no controls over such receipts and the safeguarding of these payments. Additionally, amounts received by the Building Department are not consistently posted and deposited daily. Without proper controls over cash collections, errors or irregularities could occur without timely detection.

Recommendation:

We recommend the Town implement an automated system which allows interface between the permitting and licensing function and the financial reporting function. We also recommend the Town implement a centralized cash register system which interfaces with the financial reporting functions, as well as ensures daily entry and deposit of amounts received.

Management's Response:

The Town has determined that its current licensing and permitting software does not meet its needs. One issue we have is that the reports generated do not integrate with the general ledger. We are in the initial process of reviewing different software solutions with the capability of complete integration with the accounting software. Another requirement of any new software will be a centralized cash register system.

2013-04 Credit Card Purchases:

Findings:

Chapter 212.08(6) of the Florida Statutes specifically exempts political subdivisions, including municipalities, from paying sales tax when payment is made directly to the dealer. This exemption does not inure to any transaction when payment is made by a government employee by any means when that employee is subsequently reimbursed by the government agency.

The Town has issued a number of credit cards in the name of the Town to various employees to give them the flexibility of buying items that would otherwise be purchased by a check issued by the Town. However, purchases that are made in this manner are charged sales tax on the items purchased if a sales tax exempt certificate is not presented to the dealer at the time of purchase. As a result, substantial savings on these transactions are not realized by the Town that would be if the purchase is made using a Town check or by presenting a sales tax exempt certificate to the dealer.

Recommendation:

We recommend that the Town review its policies over credit card purchases to address the loss of savings related to sales tax.

Management's Response:

The Town has instituted improvements to its credit card purchasing policies. One improvement requires that goods and services be purchased directly from vendors with credit terms. However, there will be rare instances when this is not practicable and credit cards will be required. Another change prohibits the purchase of goods and services from vendors where the sales tax exemption cannot be processed.

TOWN OF MEDLEY, FLORIDA

**Schedule of Findings and Questioned Costs – Continued
Year Ended September 30, 2013**

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

None reported

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

No prior year findings.

TOWN OF MEDLEY, FLORIDA

Status of Prior Year Recommendations

<u>Prior Year Findings</u>	<u>Prior Year Reference Number</u>	<u>Current Year Status</u>	<u>Present in Second Preceding Year Report</u>
Supervisory Review	2012-01	Not corrected	Yes – Item C.3
Capital Assets	2012-02	Not corrected	Yes – Item D
Licenses and Permits	2012-03	Partially corrected	Yes – Item A
Payroll and Compensated Absences	2012-04	Corrected	N/A



**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, 2013, and have issued our report thereon dated June 17, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, *Rules of the Auditor General*. We have issued our Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors’ Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 17, 2014, should be considered in conjunction with this management letter.

Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida, require certain items be addressed in this letter, which is not included in the aforementioned auditors’ 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 noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *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.

Honorable Mayor and Town Council
Town of Medley, Florida

- Section 10.554(1)(i)6.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)6.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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.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.

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

Aurett Warmus Durkee

Orlando, Florida
June 17, 2014