

**TOWN OF MEDLEY, FLORIDA**  
**FINANCIAL SECTION, REQUIRED SUPPLEMENTARY**  
**INFORMATION, COMBINING FUND STATEMENTS,**  
**AND SUPPLEMENTARY FINANCIAL REPORTS**  
**COMPLIANCE SECTION**  
**Year Ended September 30, 2014**



**AVERETT  
WARMUS  
DURKEE**

Certified Public Accountants and Business Advisors

# 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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as each fiduciary fund type of the Town, as of September 30, 2014, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 51 through 53 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 non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and 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 federal awards and 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 federal awards and 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 25, 2015, 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 25, 2015

## TOWN OF MEDLEY, FLORIDA

### Management's Discussion and Analysis Year Ended September 30, 2014

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, 2014.

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 \$179,764,250 (*net position*). Of this amount, \$24,028,674 (*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 \$732,870 or by approximately 0.4%. This is comprised of a decrease of \$661,018 in governmental activities and an increase of \$1,393,888 in business-type activities.
- The decrease in governmental activities was due to the net effect of the following factors. Negative variances include: (1) the OPEB reporting requirements and the related health insurance adjustment, based on the actuarial valuation, which increased the liability and decreased net position by \$507,421; (2) an increase in payroll of \$127,391 due to contract wage increases in accordance with union contracts; (3) a decrease in police department restricted forfeiture revenue of \$417,439; (4) a decrease in communication services taxes of \$116,245; (5) an increase in insurance premiums of \$131,176; and (6) an increase in human services expenditures of \$175,385. Positive variances affecting the governmental net position include: (1) the increase in ad valorem revenues of \$442,419; (2) an increase in building permits, fees, and licenses of \$1,049,723; (3) an increase of \$144,126 in utility tax revenues; and (4) a decrease in capital expenditures of \$439,775.
- Certain expenditures previously centralized have been allocated to their respective departments.
- 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 \$1,576,900, current year's increase in net position was \$1,393,888. Charges for services increased by \$494,299 and expenses increased by \$667,771.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$18,526,660, an increase of \$628,638 in comparison with the prior year. Of this amount, \$12,646,153 is *available for spending* at the government's discretion (*assigned or unassigned fund balance*) of which \$5.5 million has been assigned for future projects and expenditures consisting of \$2 million for pension, \$2.3 million for working capital, \$0.8 million for debt service, and \$0.4 million for health insurance for retired employees.
- The Town's total long-term obligations increased by \$519,232, the net effect 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, 2014, was \$26,789,151, an increase of \$1,903,502 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

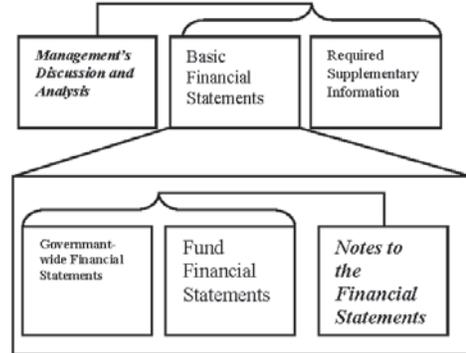
Management’s Discussion and Analysis – Continued  
Year Ended September 30, 2014

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, 2014

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

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

The basic governmental fund financial statements can be found on pages 16 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 non-major 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'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 49 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 51 through 53 of this report.

The combining statements referred to earlier in connection with non-major proprietary funds are presented immediately following the required supplementary information on pensions. Combining fund statements can be found on pages 55 through 57 of this report.

**TOWN OF MEDLEY, FLORIDA**

**Management’s Discussion and Analysis – Continued  
Year Ended September 30, 2014**

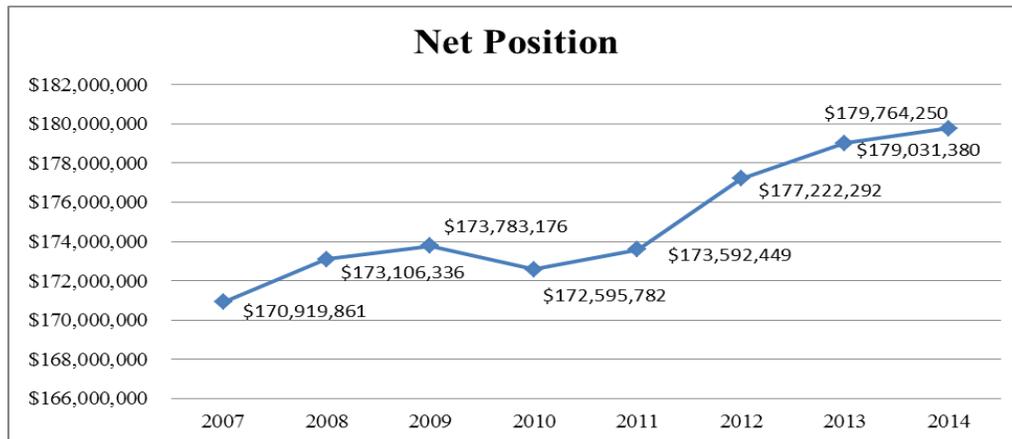
**Government-Wide Financial Analysis**

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,			
	2014	2013	2014	2013	2014	2013		
Current assets	\$ 16,059,002	\$ 15,146,031	\$ 14,819,638	\$ 13,709,364	\$ 30,878,640	\$ 28,855,395	\$ 2,023,245	7.0 %
Restricted assets	3,329,959	3,757,773	845,070	885,783	4,175,029	4,643,556	(468,527)	(10.1)
Capital assets, net	135,221,056	136,316,150	24,878,708	23,852,163	160,099,764	160,168,313	(68,549)	-
<b>Total assets</b>	<b>154,610,017</b>	<b>155,219,954</b>	<b>40,543,416</b>	<b>38,447,310</b>	<b>195,153,433</b>	<b>193,667,264</b>	<b>1,486,169</b>	<b>0.8</b>
Long-term obligations outstanding	7,933,700	7,739,137	4,803,031	4,478,362	12,736,731	12,217,499	519,232	4.2
Other liabilities	793,112	745,306	1,501,057	1,036,668	2,294,169	1,781,974	512,195	28.7
<b>Total liabilities</b>	<b>8,726,812</b>	<b>8,484,443</b>	<b>6,304,088</b>	<b>5,515,030</b>	<b>15,030,900</b>	<b>13,999,473</b>	<b>1,031,427</b>	<b>7.4</b>
Deferred Inflows	69,189	260,477	289,094	375,934	358,283	636,411	(278,128)	(43.7)
Net position:								
Investment in capital assets, net of related debt	129,291,312	130,056,508	20,563,757	19,722,933	149,855,069	149,779,441	75,628	0.1
Restricted	5,880,507	6,249,367	-	-	5,880,507	6,249,367	(368,860)	(5.9)
Unrestricted	10,642,197	10,169,159	13,386,477	12,833,413	24,028,674	23,002,572	1,026,102	4.5
<b>Total net position</b>	<b>\$ 145,814,016</b>	<b>\$ 146,475,034</b>	<b>\$ 33,950,234</b>	<b>\$ 32,556,346</b>	<b>\$ 179,764,250</b>	<b>\$ 179,031,380</b>	<b>\$ 732,870</b>	<b>0.4 %</b>

The following chart reports the Town’s total net position balances from fiscal year 2007 through 2014:



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 \$179,764,250 at September 30, 2014, an increase of \$732,870 from the prior fiscal year. This is approximately a 0.4% increase from last year’s net position of \$179,031,380.

The largest portion of the Town’s net position, \$149,855,069, or 83.4%, 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, 2014**

**Government-Wide Financial Analysis – Continued**

An additional portion of the Town's net position, \$5,880,507, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$24,028,674, may be used to meet the government's ongoing obligations to residents and creditors.

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

**Governmental and business-type activities.** Governmental activities decreased the Town's net position by \$661,018, whereas business-type activities increased the Town's net position by \$1,393,888. This resulted in an increase in total net position of \$732,870 or approximately a 0.4% 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,			
	2014	2013	2014	2013	2014	2013		
<b>Revenues:</b>								
Program revenues:								
Fees, fines, and charges for services	\$ 3,679,041	\$ 3,218,979	\$ 8,034,854	\$ 7,540,555	\$ 11,713,895	\$ 10,759,534	\$ 954,361	8.9 %
Operating grants and contributions	9,580	-	-	-	9,580	-	9,580	-
Capital grants and contributions	-	3,520	156,326	140,961	156,326	144,481	11,845	8.2
General revenues:								
Ad valorem taxes	8,600,612	8,158,193	-	-	8,600,612	8,158,193	442,419	5.4
Utility taxes	1,295,138	1,151,012	-	-	1,295,138	1,151,012	144,126	12.5
Franchise fees	970,314	884,259	-	-	970,314	884,259	86,055	9.7
Other general taxes	610,204	726,449	-	-	610,204	726,449	(116,245)	(16.0)
Intergovernmental	203,287	194,452	-	-	203,287	194,452	8,835	4.5
Investment earnings	89,288	89,015	75,880	69,210	165,168	158,225	6,943	4.4
Miscellaneous	210,336	87,063	-	-	210,336	87,063	123,273	141.6
Gain on sale of building	-	1,990,122	-	-	-	1,990,122	(1,990,122)	(100.0)
Internal activity:								
Transfers	(157,000)	(188,575)	157,000	188,575	-	-	-	-
Total revenues and transfers	<u>15,510,800</u>	<u>16,314,489</u>	<u>8,424,060</u>	<u>7,939,301</u>	<u>23,934,860</u>	<u>24,253,790</u>	<u>(318,930)</u>	<u>(1.3)</u>
<b>Expenses:</b>								
General government	5,790,169	6,858,971	-	-	5,790,169	6,858,971	(1,068,802)	(15.6)
Public safety	6,911,180	6,051,905	-	-	6,911,180	6,051,905	859,275	14.2
Physical environment	973,766	849,609	-	-	973,766	849,609	124,157	14.6
Human services	1,432,695	1,214,469	-	-	1,432,695	1,214,469	218,226	18.0
Culture and recreation	909,517	948,090	-	-	909,517	948,090	(38,573)	(4.1)
Interest	154,491	159,257	87,676	94,179	242,167	253,436	(11,269)	(4.4)
Water and wastewater	-	-	4,695,424	4,185,783	4,695,424	4,185,783	509,641	12.2
Stormwater utility	-	-	1,617,868	1,460,672	1,617,868	1,460,672	157,196	10.8
Medley Lakeside Retirement Park	-	-	351,126	364,477	351,126	364,477	(13,351)	(3.7)
Police gun range	-	-	278,078	257,290	278,078	257,290	20,788	8.1
Total expenses	<u>16,171,818</u>	<u>16,082,301</u>	<u>7,030,172</u>	<u>6,362,401</u>	<u>23,201,990</u>	<u>22,444,702</u>	<u>757,288</u>	<u>3.4</u>
Increase (Decrease) in Net Position	(661,018)	232,188	1,393,888	1,576,900	732,870	1,809,088	(1,076,218)	(59.5)
Net Position, beginning 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>	<u>1.0</u>
Net Position, end of year	<u>\$ 145,814,016</u>	<u>\$ 146,475,034</u>	<u>\$ 33,950,234</u>	<u>\$ 32,556,346</u>	<u>\$ 179,764,250</u>	<u>\$ 179,031,380</u>	<u>\$ 732,870</u>	<u>0.4 %</u>

**TOWN OF MEDLEY, FLORIDA**

**Management’s Discussion and Analysis – Continued  
Year Ended September 30, 2014**

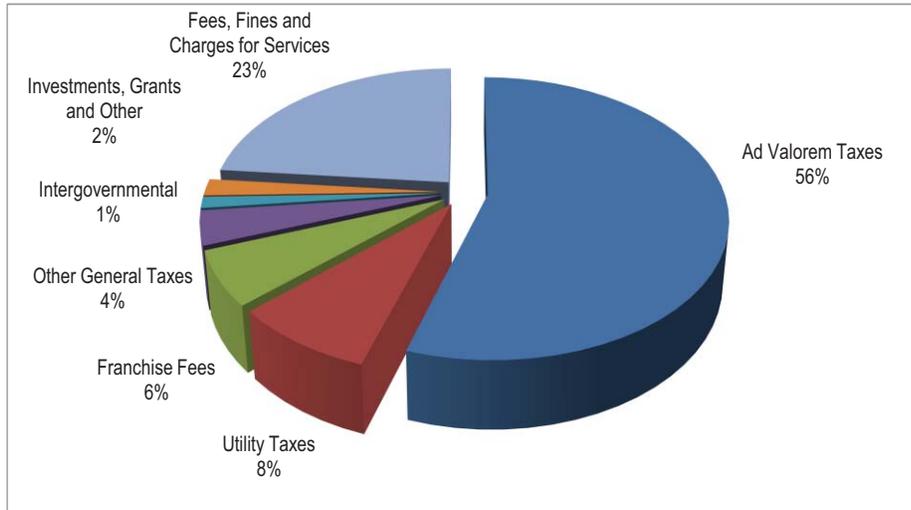
**Government-Wide Financial Analysis – Continued**

**Governmental activities.** Governmental activities decreased the Town’s net position by \$661,018.

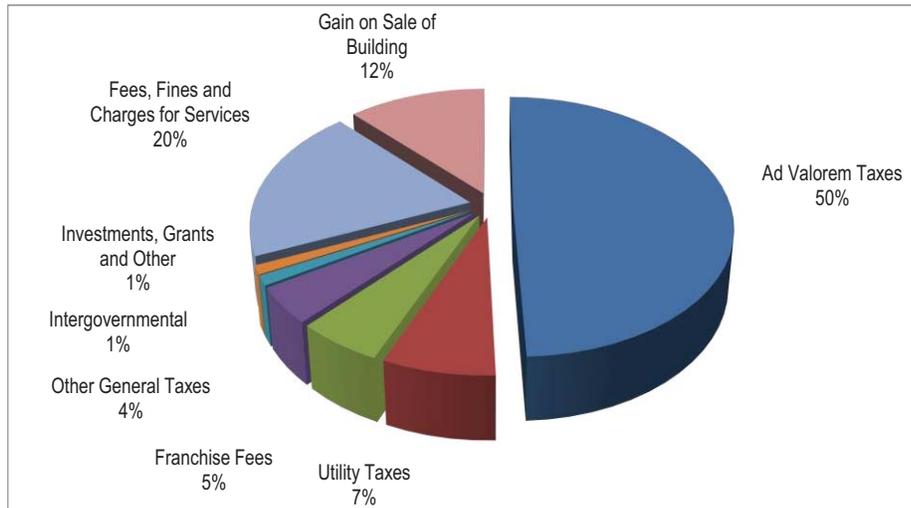
**Revenues.** The following chart shows the amounts of program and general revenues for fiscal years 2014 and 2013:

Revenues by Source – Governmental Activities  
For the Years Ended September 30, 2014 and 2013, respectively

**2014**



**2013**



The Town is heavily reliant on property taxes to support governmental functions. Property taxes provided 56% of the Town’s total revenues as compared to 50% in fiscal year 2013. Other general taxes, which include communications taxes, provided 4% of the Town’s total revenues which was the same as fiscal year 2013. Franchise fees and utility taxes provided 14% of the revenues compared to 12% in fiscal year 2013. The gain on the sale of the police station property provided 12% of the revenue in fiscal year 2013.

**TOWN OF MEDLEY, FLORIDA**

**Management's Discussion and Analysis – Continued  
Year Ended September 30, 2014**

**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	\$ 5,790,169	35.8%
Public	6,911,180	42.7
Physical environment	973,766	6.0
Human services	1,432,695	8.9
Culture and recreation	909,517	5.6
Interest	154,491	1.0
	\$ 16,171,818	100.0%

Expenses for governmental activities increased \$89,517 from the prior year. The increase is mostly attributable to increased OPEB costs of \$507,421 and decreased pension costs of \$315,350 for both the police officers' and general employees' pension plans. There was also a \$133,187 decrease in railroad crossing expenses. In previous years, certain expenses such as health insurance were centralized in the general government department. In the current year, this and other expenses have been allocated to their respective departments.

**Business-type activities.** Business-type activities increased the Town's net position by \$1,393,888.

**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 2014 and 2013:

	Fiscal Year	
	2014	2013
Water and wastewater	\$ 1,030,478	\$ 1,067,498
Stormwater utility	402,776	516,069
	\$ 1,433,254	\$ 1,583,567

The following includes an analysis of the fiscal year 2014 financial activities for each fund:

- The water and wastewater fund had an increase in net position of \$1,030,478. Operating revenues increased by \$548,417 from the prior year due to higher commercial water and sewer sales and service and hook-up charges. Operating expenses increased by \$509,641 from the prior year. This is mostly attributable to higher sewer treatment costs and an operating transfer to Medley Lakeside Retirement Park.
- The stormwater utility fund had an increase in net position of \$402,776. Operating revenues decreased by \$68,488 due to ERU adjustments in accordance with the terms of agreements with the owners of specific large properties. Operating expenses increased by \$157,196 from the prior year. This was mostly attributable to increased infiltration costs. In fiscal year 2014, there were five stormwater projects in progress of which two should be completed in fiscal year 2015.

**Non-major fund – Medley Lakeside Retirement Park.** There were transfers from the general fund and the water and wastewater fund of \$32,000 and \$117,300, respectively, to the Medley Lakeside Retirement Park which are recorded as revenue in that fund. This fund continues to experience operating losses due to the fact that land rents collected from residents do not cover operating expenses. The Medley Town Council has directed that the Town continue to support the retirement park's operations as needed.

**TOWN OF MEDLEY, FLORIDA**

**Management's Discussion and Analysis – Continued  
Year Ended September 30, 2014**

**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	Law Enforcement Trust Fund	Town of Medley Foundation, Inc.	Total
Revenue	\$ 15,497,421	\$ 136,807	\$ 33,572	\$ 15,667,800
Expenditures	(14,299,469)	(549,076)	(33,617)	(14,882,162)
Other financing sources (uses), net	(3,863,306)	3,706,306	-	(157,000)
	\$ (2,665,354)	\$ 3,294,037	\$ (45)	\$ 628,638

**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 \$18,526,660, an increase of \$628,638 in comparison with the prior year. Key elements of the increase are as follows:

- An increase in total revenues of \$1,154,858. Revenue sources increasing include franchise fees and utility taxes, building permits, and ad valorem taxes.
- Total expenditures decreased by \$717,846. This is attributable to lower pension costs and capital outlay.

The general fund is the chief operating fund of the Town. General tax revenues and other receipts that are not allocated to another fund by law or contractual commitment are accounted for in this fund. General operating expenditures and capital improvement costs not paid through another fund are paid from this fund. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$12,646,153. 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 85% 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 \$1,393,888. 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, 2014**

**General Fund Budgetary Highlights**

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

Actual revenues were greater than budget by \$1,083,958. This was due to the net effects of the following variances:

- Actual ad valorem collections were lower than budgeted by \$424,814 because of value adjustments and delinquent payments, which are expected to be received in fiscal years 2015.
- State and local-shared revenues were \$119,257 below budgeted amounts due to the decrease in communication service tax revenue. Communication methods are changing and those changes are having a negative effect on revenues.
- Utility taxes were \$250,138 over budget due to the improvement in the economy.
- Permits, fees, and licenses revenues were \$1,173,357 higher than budget due to the improvement in the economy. This revenue source includes building permits.
- Included in miscellaneous revenues is an unbudgeted developer contribution fee of \$125,000 for infrastructure improvements.
- Police revenues from services and reimbursements were higher than budgeted.

Actual expenditures were lower than budget by \$113,994. This was due to the net effects of the following variances:

- The Town's department expenditures were over budget by a total of \$276,843. This includes payroll costs, professional fees, insurance costs, building department costs, and the cost of providing services to the senior citizens.
- Capital outlay was \$380,930 lower than budget due to delays in new construction. This includes park and roadway improvements.

Additional information on budgetary comparisons between the final budget and actual results can be found on page 51 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, 2014, amounts to \$160,099,764 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, roadways, water, wastewater, and stormwater utility systems, machinery and equipment, and park facilities.

The table below summarized the investment in capital assets:

Town of Medley, Florida

Capital Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2014	2013	2014	2013	2014	2013		
Land and improvements	\$ 3,467,901	\$ 3,467,901	\$ 765,839	\$ 765,839	\$ 4,233,740	\$ 4,233,740	-	- %
Construction in progress	744,137	411,339	3,682,800	2,248,787	4,426,937	2,660,126	1,766,811	66.4
Buildings and improvements	12,945,897	12,862,173	1,101,708	1,125,873	14,047,605	13,988,046	59,559	0.4
Infrastructure	143,359,347	143,359,347	-	-	143,359,347	143,359,347	-	-
Machinery, equipment, and vehicles	5,026,807	4,871,012	2,581,832	2,728,814	7,608,639	7,599,826	8,813	0.1
Water and wastewater systems	-	-	23,457,448	23,457,448	23,457,448	23,457,448	-	-
Stormwater systems	-	-	8,291,059	7,760,154	8,291,059	7,760,154	530,905	6.8
Total	165,544,089	164,971,772	39,880,686	38,086,915	205,424,775	203,058,687	2,366,088	1.2
Accumulated depreciation	(30,323,033)	(28,655,622)	(15,001,978)	(14,234,752)	(45,325,011)	(42,890,374)	(2,434,637)	5.7
	\$ 135,221,056	\$ 136,316,150	\$ 24,878,708	\$ 23,852,163	\$ 160,099,764	\$ 160,168,313	\$ (68,549)	- %

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

**TOWN OF MEDLEY, FLORIDA**

**Management's Discussion and Analysis – Continued  
Year Ended September 30, 2014**

**Capital Asset and Debt Administration – Continued**

**Long-term obligations.** At year-end, the Town had \$10,244,695 in notes outstanding versus \$10,388,873 last year. Repayments of debt amounted to \$607,145. Included in long-term obligations of the governmental fund and proprietary fund types are \$715,125 and \$161,453 in accrued compensated absence liabilities and \$890,549 and \$221,353 in accrued other post employment benefits liabilities, respectively.

The following table reports long-term obligation balances at September 30, 2014 and 2013:

	Governmental Activities			Balance September 30, 2014
	Balance October 1, 2013	Additions	Reductions	
Notes payable	\$ 6,259,642	\$ -	\$ 329,898	\$ 5,929,744
Compensated absences	698,086	17,039	-	715,125
Other post employment benefits	781,409	741,426	234,004	1,288,831
	\$ 7,739,137	\$ 758,465	\$ 563,902	\$ 7,933,700
	Business-Type Activities			
	Balance October 1, 2013	Additions	Reductions	Balance September 30, 2014
Notes payable	\$ 4,129,231	\$ 462,967	\$ 277,247	\$ 4,314,951
Compensated absences	133,602	27,851	-	161,453
Other post employment benefits	215,529	122,131	11,033	326,627
	\$ 4,478,362	\$ 612,949	\$ 288,280	\$ 4,803,031

Additional information on the Town's long-term debt can be found in Note 9 on pages 44 to 46 of this report.

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

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

The operating millage for the fiscal year ending September 30, 2015, is stated at 6.38 mills. This represents a 26% increase over the rolled back rate and is higher than the 2014 millage rate of 5.38 mills. Since 2003, the Town has been able to reduce millage by 22% from 7.8 mills to 6.38 mills.

It is the stated policy of the Town Council to reduce the millage for fiscal year September 30, 2016, to 5.38 mills, or lower. The millage increase in 2015, which is expected to yield \$1,700,000 in additional ad valorem tax revenues, is for the specific reason of right-of-way acquisition costs along NW 87<sup>th</sup> Avenue. The Town is participating with the State of Florida Department of Transportation to build and extend the road over a 1.75 mile stretch.

The general fund's total 2015 departmental expenditures are budgeted at \$13,994,940 which is \$575,656 greater than fiscal 2014 actual expenditures. Departmental expenditures which are expected to increase include public safety, physical environment, senior social services and parks and recreation.

**TOWN OF MEDLEY, FLORIDA**

**Management's Discussion and Analysis – Continued  
Year Ended September 30, 2014**

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

In fiscal year 2015, the Town has budgeted almost \$14 million in capital projects: \$6 million from the general fund and the balance from the water and stormwater utilities. Major projects include NW 87<sup>th</sup> Avenue right-of-way acquisition costs; NW South River Drive eastside roadway, water, and drainage improvements; NW 89<sup>th</sup> Avenue and NW 93<sup>rd</sup> Street roadway and drainage improvements; a fully integrated accounting, utilities, and community software system; Tobie Wilson Park improvements; relocation and extension of NW 87<sup>th</sup> Avenue water main; and several other major projects.

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

**Requests for Information**

This financial report is designed to provide a general overview of the Town'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, 2014**

<b>Assets</b>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 7,983,271	\$ 8,478,731	\$ 16,462,002
Investments	4,837,649	5,489,500	10,327,149
Receivables, net	500,522	1,070,178	1,570,700
Internal Balances	218,771	(218,771)	-
Prepaid Expenses	2,518,789	-	2,518,789
	<u>16,059,002</u>	<u>14,819,638</u>	<u>30,878,640</u>
 Restricted Assets:			
Cash and cash equivalents	1,815,086	845,070	2,660,156
Investments	1,514,873	-	1,514,873
Total restricted assets	<u>3,329,959</u>	<u>845,070</u>	<u>4,175,029</u>
 Capital Assets:			
Capital assets not being depreciated	104,106,251	4,127,038	108,233,289
Capital assets being depreciated, net	31,114,805	20,751,670	51,866,475
Total capital assets	<u>135,221,056</u>	<u>24,878,708</u>	<u>160,099,764</u>
Total assets	<u>154,610,017</u>	<u>40,543,416</u>	<u>195,153,433</u>
 <b>Liabilities</b>			
Liabilities:			
Accounts payable and accrued liabilities	793,112	1,069,487	1,862,599
Liabilities payable from restricted assets	-	431,570	431,570
Long-term obligations:			
Due within one year	339,537	367,446	706,983
Due after one year	7,594,163	4,435,585	12,029,748
Total liabilities	<u>8,726,812</u>	<u>6,304,088</u>	<u>15,030,900</u>
 <b>Deferred Inflows</b>			
Deferred revenue	69,189	-	69,189
Refundable advances	-	133,979	133,979
Deferred developer fees	-	155,115	155,115
Total deferred inflows	<u>69,189</u>	<u>289,094</u>	<u>358,283</u>
 <b>Net Position</b>			
Investment in Capital Assets, net of related debt	129,291,312	20,563,757	149,855,069
Restricted	5,880,507	-	5,880,507
Unrestricted	10,642,197	13,386,477	24,028,674
Total net position	<u>\$ 145,814,016</u>	<u>\$ 33,950,234</u>	<u>\$ 179,764,250</u>

See accompanying notes.

**TOWN OF MEDLEY, FLORIDA**

**Government-Wide Statement of Activities  
Year Ended September 30, 2014**

Functions/Programs	Total Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 5,790,169	\$ 2,922,305	\$ 6,475	\$ -	\$ (2,861,389)	\$ -	\$ (2,861,389)
Public safety	6,911,180	756,736	3,105	-	(6,151,339)	-	(6,151,339)
Physical environment	973,766	-	-	-	(973,766)	-	(973,766)
Human services	1,432,695	-	-	-	(1,432,695)	-	(1,432,695)
Culture and recreation	909,517	-	-	-	(909,517)	-	(909,517)
Interest on long-term obligations	154,491	-	-	-	(154,491)	-	(154,491)
Total governmental activities	<u>16,171,818</u>	<u>3,679,041</u>	<u>9,580</u>	<u>-</u>	<u>(12,483,197)</u>	<u>-</u>	<u>(12,483,197)</u>
<b>Business-Type Activities:</b>							
Water and wastewater utility	4,772,781	5,722,353	-	156,326	-	1,105,898	1,105,898
Stormwater utility	1,628,187	1,872,612	-	-	-	244,425	244,425
Medley Lakeside Retirement Park	351,126	184,980	-	-	-	(166,146)	(166,146)
Police gun range	278,078	254,909	-	-	-	(23,169)	(23,169)
Total business-type activities	<u>7,030,172</u>	<u>8,034,854</u>	<u>-</u>	<u>156,326</u>	<u>-</u>	<u>1,161,008</u>	<u>1,161,008</u>
	<u>\$ 23,201,990</u>	<u>\$ 11,713,895</u>	<u>\$ 9,580</u>	<u>\$ 156,326</u>	<u>(12,483,197)</u>	<u>1,161,008</u>	<u>(11,322,189)</u>
<b>General Revenues:</b>							
Ad valorem taxes					8,600,612	-	8,600,612
Utility taxes					1,295,138	-	1,295,138
Franchise fees					970,314	-	970,314
Other general taxes					610,204	-	610,204
Intergovernmental					203,287	-	203,287
Investment earnings					89,288	75,880	165,168
Miscellaneous					210,336	-	210,336
Transfers					(157,000)	157,000	-
Total general revenues					<u>11,822,179</u>	<u>232,880</u>	<u>12,055,059</u>
Change in net position					(661,018)	1,393,888	732,870
Net position, beginning of year					146,475,034	32,556,346	179,031,380
Net position, end of year					<u>\$ 145,814,016</u>	<u>\$ 33,950,234</u>	<u>\$ 179,764,250</u>

See accompanying notes.

**TOWN OF MEDLEY, FLORIDA**

**Balance Sheet  
Governmental Funds  
September 30, 2014**

<b>Assets</b>	<u>General Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Town of Medley Foundation, Inc.</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 7,906,993	\$ -	\$ 76,278	\$ 7,983,271
Investments	4,837,649	-	-	4,837,649
Receivables, net	500,522	-	-	500,522
Due From Other Funds	226,371	24,352	-	250,723
Prepaid Items	2,518,789	-	-	2,518,789
Restricted Assets:				
Cash and cash equivalents	-	1,815,086	-	1,815,086
Investments	-	1,514,873	-	1,514,873
Total assets	<u>\$ 15,990,324</u>	<u>\$ 3,354,311</u>	<u>\$ 76,278</u>	<u>\$ 19,420,913</u>
 <b>Liabilities, Deferred Inflows, and Fund Equity</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 731,841	\$ 60,274	\$ 997	\$ 793,112
Due to other funds	24,352	-	7,600	31,952
Total liabilities	<u>756,193</u>	<u>60,274</u>	<u>8,597</u>	<u>825,064</u>
Deferred Inflows – deferred revenue	<u>69,189</u>	<u>-</u>	<u>-</u>	<u>69,189</u>
Fund Equity:				
Fund balance:				
Nonspendable	2,518,789	-	-	2,518,789
Restricted	-	3,294,037	-	3,294,037
Committed	-	-	67,681	67,681
Assigned	5,500,000	-	-	5,500,000
Unassigned	7,146,153	-	-	7,146,153
Total fund equity	<u>15,164,942</u>	<u>3,294,037</u>	<u>67,681</u>	<u>18,526,660</u>
Total liabilities, deferred inflows, and fund equity	<u>\$ 15,990,324</u>	<u>\$ 3,354,311</u>	<u>\$ 76,278</u>	<u>\$ 19,420,913</u>
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position:				
Total fund balance – total governmental funds				\$ 18,526,660
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets of \$165,544,089, net of accumulated depreciation of \$30,323,033, are not financial resources and, therefore, are not reported in the funds.				135,221,056
Long-term obligations of \$7,933,700 are not due and payable in the current period and are not reported in the funds.				<u>(7,933,700)</u>
Net position of governmental activities				<u>\$ 145,814,016</u>

See accompanying notes.

**TOWN OF MEDLEY, FLORIDA**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2014**

	General Fund	Law Enforcement Trust Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 8,600,612	\$ -	\$ -	\$ 8,600,612
Utility taxes	1,295,138	-	-	1,295,138
Other general taxes	816,466	-	-	816,466
Intergovernmental	212,867	-	-	212,867
Permits, fees, and licenses	3,686,357	-	-	3,686,357
Fines and forfeitures	523,025	113,746	-	636,771
User charges	116,479	-	-	116,479
Miscellaneous	246,477	23,061	33,572	303,110
Total revenues	15,497,421	136,807	33,572	15,667,800
<b>Expenditures:</b>				
Current operating:				
General government	4,116,664	-	-	4,116,664
Public safety	6,174,321	129,829	-	6,304,150
Physical environment	877,470	-	-	877,470
Human services	1,363,105	-	-	1,363,105
Culture and recreation	778,450	-	33,617	812,067
Capital outlay	505,070	419,247	-	924,317
Debt service	484,389	-	-	484,389
Total expenditures	14,299,469	549,076	33,617	14,882,162
Excess (Deficiency) of Revenues Over Expenditures	1,197,952	(412,269)	(45)	785,638
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	3,706,306	-	3,706,306
Transfers out	(3,863,306)	-	-	(3,863,306)
Total other financing sources (uses)	(3,863,306)	3,706,306	-	(157,000)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(2,665,354)	3,294,037	(45)	628,638
Fund Balances, beginning of year	17,830,296	-	67,726	17,898,022
Fund Balances, end of year	\$ 15,164,942	\$ 3,294,037	\$ 67,681	\$ 18,526,660
<b>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:</b>				
Net change in fund balances – total governmental funds				\$ 628,638
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 \$2,012,906 exceeded capital outlays of \$924,317 in the current period.				(1,088,589)
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.				(6,505)
Change in long-term compensated absences recognized in statement of activities, not recognized as expenditures.				(17,039)
Change in other post employment benefits liability recognized in statement of activities, not recognized as expenditures.				(507,421)
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.				329,898
Change in net position of governmental activities				\$ (661,018)

See accompanying notes.

**TOWN OF MEDLEY, FLORIDA**

**Statement of Net Position  
Proprietary Funds  
September 30, 2014**

Assets	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 5,737,641	\$ 2,486,175	\$ 254,915	\$ 8,478,731
Investments	2,400,287	3,089,213	-	5,489,500
Receivables, net	847,640	184,629	37,909	1,070,178
Due from other funds	147,924	-	-	147,924
Total current assets	<u>9,133,492</u>	<u>5,760,017</u>	<u>292,824</u>	<u>15,186,333</u>
<b>Noncurrent Assets:</b>				
Restricted assets – cash and cash equivalents	735,070	110,000	-	845,070
Capital assets, net	14,878,503	9,801,714	198,491	24,878,708
Total noncurrent assets	<u>15,613,573</u>	<u>9,911,714</u>	<u>198,491</u>	<u>25,723,778</u>
Total assets	<u>24,747,065</u>	<u>15,671,731</u>	<u>491,315</u>	<u>40,910,111</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	756,844	294,296	18,347	1,069,487
Due to other funds	156,241	165,230	45,224	366,695
Liabilities payable from restricted assets:				
Utility deposits	431,570	-	-	431,570
Current portion of long-term debt:				
Notes payable	199,566	167,880	-	367,446
Total current liabilities	<u>1,544,221</u>	<u>627,406</u>	<u>63,571</u>	<u>2,235,198</u>
<b>Long-Term Obligations, less current portion:</b>				
Notes payable	3,139,777	807,728	-	3,947,505
Compensated absences	102,130	46,694	12,629	161,453
Other post employment benefits	260,767	57,569	8,291	326,627
Total long-term obligations	<u>3,502,674</u>	<u>911,991</u>	<u>20,920</u>	<u>4,435,585</u>
Total liabilities	<u>5,046,895</u>	<u>1,539,397</u>	<u>84,491</u>	<u>6,670,783</u>
<b>Deferred Inflows</b>				
Refundable Advances	-	133,979	-	133,979
Deferred Developer Fees	145,115	10,000	-	155,115
Total deferred inflows	<u>145,115</u>	<u>143,979</u>	<u>-</u>	<u>289,094</u>
<b>Net Position</b>				
Investment in Capital Assets, net of related debt Unrestricted	11,539,160	8,826,106	198,491	20,563,757
	<u>8,015,895</u>	<u>5,162,249</u>	<u>208,333</u>	<u>13,386,477</u>
Total net position	<u>\$ 19,555,055</u>	<u>\$ 13,988,355</u>	<u>\$ 406,824</u>	<u>\$ 33,950,234</u>

See accompanying notes.

**TOWN OF MEDLEY, FLORIDA**

**Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
Year Ended September 30, 2014**

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Operating Revenues:				
User charges	\$ 5,265,651	\$ 1,870,960	\$ 433,240	\$ 7,569,851
Service and hook-up charges	389,116	-	-	389,116
Miscellaneous other	67,586	1,652	6,649	75,887
Total operating revenues	5,722,353	1,872,612	439,889	8,034,854
Operating Expenses:				
Salaries, wages, and employee benefits	1,300,225	481,346	222,323	2,003,894
Contractual services, materials, and supplies	2,758,134	860,669	366,061	3,984,864
Depreciation and amortization	637,065	275,853	40,820	953,738
Total operating expenses	4,695,424	1,617,868	629,204	6,942,496
Operating Income (Loss)	1,026,929	254,744	(189,315)	1,092,358
Non-Operating Revenues (Expenses):				
Grants	140,961	-	-	140,961
Interest income	41,880	33,351	649	75,880
Interest expense	(77,357)	(10,319)	-	(87,676)
Total non-operating revenues	105,484	23,032	649	129,165
Income (Loss) Before Transfers	1,132,413	277,776	(188,666)	1,221,523
Other Revenues and Transfers:				
Capital Contributions	15,365	-	-	15,365
Transfers in	-	125,000	149,300	274,300
Transfers out	(117,300)	-	-	(117,300)
Total other revenues and transfers	(101,935)	125,000	149,300	172,365
Net Income (Loss)	1,030,478	402,776	(39,366)	1,393,888
Net Position, beginning of year	18,524,577	13,585,579	446,190	32,556,346
Net Position, end of year	\$ 19,555,055	\$ 13,988,355	\$ 406,824	\$ 33,950,234

See accompanying notes.

**TOWN OF MEDLEY, FLORIDA**

**Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2014**

	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers and users	\$ 5,539,279	\$ 1,850,916	\$ 421,656	\$ 7,811,851
Payments to suppliers	(2,391,802)	(634,733)	(378,546)	(3,405,081)
Payments to employees	(1,187,597)	(462,738)	(214,611)	(1,864,946)
Other receipts	13,216	1,652	6,649	21,517
Net cash provided by (used in) operating activities	<u>1,973,096</u>	<u>755,097</u>	<u>(164,852)</u>	<u>2,563,341</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Increase in current liabilities payable from restricted assets	12,075	-	-	12,075
Transfers from other funds	-	125,000	149,300	274,300
Transfers to other funds	(117,300)	-	-	(117,300)
Proceeds from operating grants	140,961	-	-	140,961
Decrease in deferred developer fees	(86,840)	-	-	(86,840)
Change in due from/to other funds	(111,534)	43,892	(7,593)	(75,235)
Net cash provided by (used in) noncapital financing activities	<u>(162,638)</u>	<u>168,892</u>	<u>141,707</u>	<u>147,961</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition of capital assets	(290,670)	(1,689,766)	-	(1,980,436)
Contributed capital	15,365	-	-	15,365
Proceeds from capital grants	-	41,150	-	41,150
Increase in loan costs	66,755	-	-	66,755
Proceeds from sale of assets	54,370	-	-	54,370
Proceeds from issuance of debt	-	462,967	-	462,967
Principal reduction on notes payable	(194,521)	(82,726)	-	(277,247)
Interest paid on notes payable	(88,927)	(10,319)	-	(99,246)
Net cash used in capital and related financing activities	<u>(437,628)</u>	<u>(1,278,694)</u>	<u>-</u>	<u>(1,716,322)</u>
<b>Cash Flows From Investing Activities:</b>				
Purchases of investments	(765,371)	(25,409)	-	(790,780)
Interest income received	43,891	36,069	649	80,609
Net cash provided by (used in) investing activities	<u>(721,480)</u>	<u>10,660</u>	<u>649</u>	<u>(710,171)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	651,350	(344,045)	(22,496)	284,809
Cash and Cash Equivalents, beginning of year	<u>5,821,361</u>	<u>2,940,220</u>	<u>277,411</u>	<u>9,038,992</u>
Cash and Cash Equivalents, end of year	<u>\$ 6,472,711</u>	<u>\$ 2,596,175</u>	<u>\$ 254,915</u>	<u>\$ 9,323,801</u>

(Continued)

See accompanying notes.

**TOWN OF MEDLEY, FLORIDA**

**Statement of Cash Flows  
Proprietary Funds – Continued  
Year Ended September 30, 2014**

	Major Funds				
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	Total	
Reported as Follows in the Statement of Net Position:					
Cash and cash equivalents	\$ 5,737,641	\$ 2,486,175	\$ 254,915	\$ 8,478,731	
Restricted cash and cash equivalents	735,070	110,000	-	845,070	
	\$ 6,472,711	\$ 2,596,175	\$ 254,915	\$ 9,323,801	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 1,026,929	\$ 254,744	\$ (189,315)	\$ 1,092,358	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	637,065	275,853	40,820	953,738	
Bad debt expense	47,173	13,750	-	60,923	
Gain (loss) on disposal of assets	(54,370)	-	153	(54,217)	
Changes in:					
Receivables	(115,488)	(20,044)	(11,584)	(147,116)	
Due from other governments	75,397	(20,575)	-	54,822	
Prepaid expenses	-	-	-	-	
Accounts payable and accrued liabilities	243,762	232,760	(12,638)	463,884	
Compensated absences	12,080	11,516	4,255	27,851	
Other post employment benefits	100,548	7,093	3,457	111,098	
Net cash provided by (used in) operating activities	\$ 1,973,096	\$ 755,097	\$ (164,852)	\$ 2,563,341	

See accompanying notes.

**TOWN OF MEDLEY, FLORIDA**

**Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2014**

<b>Assets</b>	Pension Trust Funds		<b>Total</b>
	General Employees' Pension Fund	Police Officers' Retirement Fund	
Accounts Receivable	\$ -	\$ 5,457	\$ 5,457
Investments at Fair Value	15,847,199	19,430,294	35,277,493
Total assets	15,847,199	19,435,751	35,282,950
<b>Liabilities and Net Position</b>			
Liabilities:			
Accounts payable	1,204	-	1,204
Advance contributions from Town	1,673,671	764,801	2,438,472
Total liabilities	1,674,875	764,801	2,439,676
Net Position Restricted for Pension Benefits	\$ 14,172,324	\$ 18,670,950	\$ 32,843,274

See accompanying notes.

**TOWN OF MEDLEY, FLORIDA**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended September 30, 2014**

	Pension Trust Funds		
	General Employees' Pension Fund	Police Officers' Retirement Fund	Total
	Additions:		
Contributions:			
Employer	\$ 799,628	\$ 1,165,048	\$ 1,964,676
Employee	-	141,619	141,619
State contributions	-	109,520	109,520
Total contributions	799,628	1,416,187	2,215,815
Investment earnings, including net unrealized gain on investments	1,361,529	1,598,653	2,960,182
Total additions	2,161,157	3,014,840	5,175,997
Deductions:			
Benefit payments	707,981	747,028	1,455,009
Administrative expenses	9,308	30,220	39,528
Total deductions	717,289	777,248	1,494,537
Change in net position	1,443,868	2,237,592	3,681,460
Net Position Restricted for Pension Benefits:			
Beginning of year	12,728,456	16,433,358	29,161,814
End of year	\$ 14,172,324	\$ 18,670,950	\$ 32,843,274

See accompanying notes.

## TOWN OF MEDLEY, FLORIDA

### Notes to the Financial Statements September 30, 2014

#### 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, 2014.

##### 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, 2014

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

*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 non-major 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.

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *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, 2014, the carrying amount of the Town's deposits was \$19,122,158 and the bank balances of the Town's deposits were \$19,397,973. 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 and Investments

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

(2) Town of Medley's Investment Policies

(a) Credit Risk

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

Investing is performed in accordance with investing policies prescribed by State Statutes, Town Charter, and Town Policies for nonpension investments. Funds may be invested in (1) direct obligations of the United States Government, its agencies, or instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged, (2) Florida 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.

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

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

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

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

(a) Credit Risk – Continued

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

(b) Interest Rate Risk

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

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

(c) Foreign Currency Risk

Foreign currency risk is the risk that the change in exchange rates will adversely affect the fair value of an investment. The Town’s general employees’ pension fund and the police officers’ retirement fund hold \$1,496,283 and \$1,783,724, respectively, in various foreign equities as of September 30, 2014. The foreign holdings account for approximately 9% of each fund’s respective investments. The pension plans have no investment policies that limit its investment choices as it relates to foreign equities.

(d) Defined Benefit Pension Trust Policy

The Town has established defined pension trust funds for the benefit of qualified Town employees. Investment policies provide for the investment managers, who have full discretion of assets allocated to them, be subject to overall investment guidelines set out in the policies. Manager performance is reviewed by a consultant who provides reports to the governing boards. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds, and mutual funds. The plans address custodial credit risk by providing for the engagement of custodians who accept possession of securities for safekeeping; collect and disburse income; collect principal of sold, matured, or called items; and provide a periodic accounting to the Town. The general employees’ pension plan presently has allocated 30% of its investments in fixed income securities, 61% in domestic equity, and 9% in international stock. The police officers’ retirement fund presently has allocated 30% of its investment in fixed income securities, 61% in domestic equity, and 9% in international equities.

For the year ended September 30, 2014, the annual money weighted rate of return on plan investments, net of investment expense, was 9.44% and 9.09% for the general employees’ and police officers’ plans, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**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, 2014, are as follows:

	General Employees’ Pension Plan	Police Officers’ Retirement Fund
Harbor Bond	\$ 1,249,310	\$ 2,876,022
Oakmark International I	-	1,783,724
Mainstay Map I	1,117,006	-
Stable Asset Fund II	3,135,226	2,893,388
T. Rowe Price Equity – Income	2,519,816	-
T. Rowe Price Growth Stock	2,656,786	-
Vanguard 500 Index Admiral DB	1,138,278	2,210,171
Vanguard Morgan Growth Admiral DB	-	2,230,141
Vanguard REIT Index Admiral DB	-	1,133,599
Vanguard Value Index Admiral DB	-	2,185,186
	\$ 11,816,422	\$ 15,312,231

(3) Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” See Note 12 for details of interfund transactions, including receivables and payables at year-end.

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

(4) Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$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, 2014**

**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) Deferred Inflows of Resources (Formerly Deferred Revenues)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The governmental funds report unavailable revenues related to fees received prior to September 30, 2014, that are for fiscal year 2015 local business tax receipts and other licenses and fees. The proprietary funds report unavailable revenues from refundable advances and deferred developer fees. Refundable advances are related to advances of grant proceeds. Deferred developer fees consist of amounts collected from Town property owners for the reimbursement to developers for the construction of water and wastewater and drainage systems. These amounts will be remitted to the developers.

(6) 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.

(7) 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.

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

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

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

(8) Fund Balances – Governmental Funds

As of September 30, 2014, fund balances of the governmental funds are classified as follows:

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

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

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

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

F. Employee Benefit Plans

(1) Employee Benefit Plans and Net Pension Assets

The Town provides separate defined benefit pension plans for general employees and for uniformed police 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, 2014, 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.

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

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

F. Employee Benefit Plans – Continued

(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 funds which account for the law enforcement trust fund and the Town of Medley Foundation, Inc.

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

Legally Authorized Nonappropriated Budgets:

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

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

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

H. Estimates

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

I. Subsequent Events

The Town has evaluated subsequent events through June 25, 2015, the date which the financial statements were available to be issued.

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

Cash and cash equivalents at September 30, 2014, consist of the following:

	Governmental Fund Types			Proprietary Fund Type		Financial Institution Balance
	General Fund	Special Revenue Funds	Total Government Funds	Enterprise Funds	Total All Funds	
Unrestricted:						
Demand deposits	\$ 236,861	\$ 76,278	\$ 313,139	\$ 283,211	\$ 596,350	\$ 775,077
Money market funds	<u>7,670,132</u>	<u>-</u>	<u>7,670,132</u>	<u>8,195,520</u>	<u>15,865,652</u>	<u>15,963,006</u>
	<u>7,906,993</u>	<u>76,278</u>	<u>7,983,271</u>	<u>8,478,731</u>	<u>16,462,002</u>	<u>16,738,083</u>
Restricted:						
Demand deposits	-	68,034 <sup>3</sup>	68,034	686,685 <sup>1&amp;4</sup>	754,719	754,452
Money market funds	<u>-</u>	<u>1,747,052 <sup>3</sup></u>	<u>1,747,052</u>	<u>158,385 <sup>2</sup></u>	<u>1,905,437</u>	<u>1,905,438</u>
	<u>-</u>	<u>1,815,086</u>	<u>1,815,086</u>	<u>845,070</u>	<u>2,660,156</u>	<u>2,659,890</u>
Total cash and cash equivalents	<u>\$ 7,906,993</u>	<u>\$ 1,891,364</u>	<u>\$ 9,798,357</u>	<u>\$ 9,323,801</u>	<u>\$ 19,122,158</u>	<u>\$ 19,397,973</u>

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

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

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

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

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

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

Investments at September 30, 2014, consist of the following:

	Governmental Fund Types			Proprietary	Total All	Financial
	General	Special	Total	Fund Type		
	Fund	Revenue	Government	Enterprise	Funds	Institution
		Funds	Funds	Funds		Balance
Certificates of deposits:						
Unrestricted	\$ 4,837,649	\$ -	\$ 4,837,649	\$ 5,489,500	\$ 10,327,149	\$ 10,326,366
Restricted	-	1,514,873	1,514,873	-	1,514,873	1,507,315
Total certificates of deposit	<u>\$ 4,837,649</u>	<u>\$ 1,514,873</u>	<u>\$ 6,352,522</u>	<u>\$ 5,489,500</u>	<u>\$ 11,842,022</u>	<u>\$ 11,833,681</u>

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

Receivables and due from other governments consist of the following at September 30, 2014:

	Governmental	Enterprise Funds				Total
	Fund	Water and	Stormwater	Police Gun	Total	
	General Fund	Wastewater	Utility	Range	Enterprise	
Receivables:						
User charges	\$ 24,482	\$ 893,052	\$ 299,611	\$ 47,909	\$ 1,240,572	\$ 1,265,054
Interest	11,251	588	7,018	-	7,606	18,857
Utility taxes	124,791	-	-	-	-	124,791
Franchise fees	254,906	-	-	-	-	254,906
Other	4,426	-	-	-	-	4,426
Total receivables	<u>419,856</u>	<u>893,640</u>	<u>306,629</u>	<u>47,909</u>	<u>1,248,178</u>	<u>1,668,034</u>
Due from other governments:						
Miami – Dade County	23,797	-	-	-	-	23,797
State of Florida	52,006	-	-	-	-	52,006
Other	24,863	-	-	-	-	24,863
Total due from other governments	<u>100,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,666</u>
Allowance for doubtful accounts	<u>(20,000)</u>	<u>(46,000)</u>	<u>(122,000)</u>	<u>(10,000)</u>	<u>(178,000)</u>	<u>(198,000)</u>
	<u>\$ 500,522</u>	<u>\$ 847,640</u>	<u>\$ 184,629</u>	<u>\$ 37,909</u>	<u>\$ 1,070,178</u>	<u>\$ 1,570,700</u>
Bad debt expense for the year ended September 30, 2014	<u>\$ 6,343</u>	<u>\$ 47,173</u>	<u>\$ 13,750</u>	<u>\$ -</u>	<u>\$ 60,923</u>	<u>\$ 67,266</u>

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**4. Capital Assets:**

A. Changes in Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance, October 1, 2013	Additions	Dispositions	Transfers	Balance, September 30, 2014
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Government Activities:					
Capital assets not being depreciated:					
Land	\$ 3,467,901	\$ -	\$ -	\$ -	\$ 3,467,901
Infrastructure	99,894,213	-	-	-	99,894,213
Construction in progress	411,339	332,798	-	-	744,137
Total capital assets not being depreciated	<u>103,773,453</u>	<u>332,798</u>	<u>-</u>	<u>-</u>	<u>104,106,251</u>
Capital assets being depreciated:					
Buildings and improvements	12,862,173	83,724	-	-	12,945,897
Infrastructure	43,465,134	-	-	-	43,465,134
Transportation equipment	2,463,782	451,098	(259,928)	-	2,654,952
Machinery and equipment	2,407,230	56,697	(92,072)	-	2,371,855
Total capital assets being depreciated	61,198,319	591,519	(352,000)	-	61,437,838
Accumulated depreciation	<u>(28,655,622)</u>	<u>(2,012,906)</u>	<u>345,495</u>	<u>-</u>	<u>(30,323,033)</u>
Capital assets being depreciated, net	<u>32,542,697</u>	<u>(1,421,387)</u>	<u>(6,505)</u>	<u>-</u>	<u>31,114,805</u>
Government activities – capital assets, net	<u>\$ 136,316,150</u>	<u>\$ (1,088,589)</u>	<u>\$ (6,505)</u>	<u>\$ -</u>	<u>\$ 135,221,056</u>

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**4. Capital Assets – Continued:**

**A. Changes in Capital Assets – Continued**

	Balance, October 1, 2013	Additions	Dispositions	Transfers	Balance, September 30, 2014
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	93,377	276,859	-	-	370,236
Stormwater utility fund	2,155,410	1,688,059	-	(530,905)	3,312,564
	<u>2,248,787</u>	<u>1,964,918</u>	<u>-</u>	<u>(530,905)</u>	<u>3,682,800</u>
Total capital assets not being depreciated	<u>2,693,025</u>	<u>1,964,918</u>	<u>-</u>	<u>(530,905)</u>	<u>4,127,038</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	-	-	530,905	8,291,059
	<u>31,217,602</u>	<u>-</u>	<u>-</u>	<u>530,905</u>	<u>31,748,507</u>
Buildings and improvements:					
Water and wastewater fund	565,369	-	-	-	565,369
Medley Lakeside Retirement Park fund	306,547	-	-	-	306,547
Police gun range fund	253,957	-	(24,165)	-	229,792
	<u>1,125,873</u>	<u>-</u>	<u>(24,165)</u>	<u>-</u>	<u>1,101,708</u>
Transportation equipment:					
Water and wastewater fund	567,656	6,000	(162,500)	-	411,156
Stormwater utility fund	424,369	-	-	-	424,369
Medley Lakeside Retirement Park fund	3,634	-	-	-	3,634
	<u>995,659</u>	<u>6,000</u>	<u>(162,500)</u>	<u>-</u>	<u>839,159</u>
Machinery and equipment:					
Water and wastewater fund	950,731	7,811	-	-	958,542
Stormwater utility fund	602,214	1,707	-	-	603,921
Medley Lakeside Retirement Park fund	32,874	-	-	-	32,874
Police gun range fund	147,336	-	-	-	147,336
	<u>1,733,155</u>	<u>9,518</u>	<u>-</u>	<u>-</u>	<u>1,742,673</u>
Total capital assets being depreciated:					
Water and wastewater fund	25,541,204	13,811	(162,500)	-	25,392,515
Stormwater utility fund	8,786,737	1,707	-	530,905	9,319,349
Medley Lakeside Retirement Park fund	664,656	-	-	-	664,656
Police gun range fund	401,293	-	(24,165)	-	377,128
	<u>35,393,890</u>	<u>15,518</u>	<u>(186,665)</u>	<u>530,905</u>	<u>35,753,648</u>
Accumulated depreciation:					
Water and wastewater fund	(10,853,921)	(637,065)	162,500	-	(11,328,486)
Stormwater utility fund	(2,554,346)	(275,853)	-	-	(2,830,199)
Medley Lakeside Retirement Park fund	(557,191)	(14,879)	-	-	(572,070)
Police gun range fund	(269,294)	(25,941)	24,012	-	(271,223)
Total accumulated depreciation	<u>(14,234,752)</u>	<u>(953,738)</u>	<u>186,512</u>	<u>-</u>	<u>(15,001,978)</u>
Capital assets being depreciated, net	<u>21,159,138</u>	<u>(938,220)</u>	<u>(153)</u>	<u>530,905</u>	<u>20,751,670</u>
Business-type activities – capital assets, net	<u>\$ 23,852,163</u>	<u>\$ 1,026,698</u>	<u>\$ (153)</u>	<u>\$ -</u>	<u>\$ 24,878,708</u>

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**4. Capital Assets – Continued:**

B. Depreciation Expense

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

Governmental Activities:

General government	\$ 1,505,351
Public safety	373,207
Physical environment	34,350
Human services	26,749
Culture and recreation	<u>73,249</u>
	<u>\$ 2,012,906</u>

Business-Type Activities:

Water and wastewater utility	<u>\$ 637,065</u>
Stormwater utility	<u>\$ 275,853</u>
Medley Lakeside Retirement Park	<u>\$ 14,879</u>
Police gun range	<u>\$ 25,941</u>

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

Accounts payable and accrued liabilities consist of the following at September 30, 2014:

	Governmental Funds				Enterprise Funds					
	General Funds	Law Enforcement Trust Fund	Town of Medley Foundation, Inc.	Total Governmental	Water and Wastewater	Stormwater Utility	Medley Lakeside Retirement Park	Police Gun Range	Total Enterprise	Total
Vendors	\$ 464,592	\$ 60,274	\$ 997	\$ 525,863	\$ 267,447	\$ 282,739	\$ 11,142	\$ 1,244	\$ 562,572	\$ 1,088,435
Salaries and benefits	212,577	-	-	212,577	25,807	11,557	483	5,478	43,325	255,902
Compensated absences	40,672	-	-	40,672	-	-	-	-	-	40,672
Interest	14,000	-	-	14,000	30,202	-	-	-	30,202	44,202
DERM Taxes	-	-	-	-	433,388	-	-	-	433,388	433,388
	<u>\$ 731,841</u>	<u>\$ 60,274</u>	<u>\$ 997</u>	<u>\$ 793,112</u>	<u>\$ 756,844</u>	<u>\$ 294,296</u>	<u>\$ 11,625</u>	<u>\$ 6,722</u>	<u>\$ 1,069,487</u>	<u>\$ 1,862,599</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, 2014**

**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, 2014, was 5.38 mills (\$5.38 per \$1,000 of taxable assessed valuation). The Town levied a millage rate of 6.380 mills for fiscal year 2015.

**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, 2014.
- **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, 2014.

Actuarial valuations are performed annually for the General Employees’ Pension Plan and biannually for the Police Officers’ Retirement Plan. For additional information relating to investment policy, basis of accounting, and reported investment values (see Note 1). The Town Council is responsible for establishing benefits and approving all plan amendments.

(2) Memberships of the plans are as follows as of the most recent actuarial valuation:

	General Employees’ Pension Plan	Police Officers’ Retirement Plan	Total
Active members	53	37	90
Retirees and beneficiaries currently receiving benefits	27	13	40
Terminated plan members entitled to but not yet receiving benefits	15	3	18
	95	53	148

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**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	Noncontributory	5% of covered payrolls
Funding of administrative costs	Investment earnings	Investment earnings
Period required to vest	5 years for general employees hired before 7/1/14; 8 years for general employees hired after 7/1/14; immediate for elected officials	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 balance	Survivor benefit based on normal retirement date and vested account balance

(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, 2014	October 1, 2014
Actuarial cost method	Aggregate	Frozen Initial Liability
Amortization method	N/A	Level percentage of pay, closed
Amortization period	N/A	29 years
Actuarial asset valuation method	Fair market value	Four year smooth
Actuarial assumptions:		
Mortality rate	IRS 2008+ Combined Static Mortality (dynamic) (formerly 1983 GAM) 10 years for disabled participants	RP-2000 table with no projection; 10% margin for future mortality improvements
Investment rate of return	6.50%	7.50%
Projected salary increases	3.50%	3.90% – 6.68%
Post retirement benefit increases	N/A	N/A
Inflation	2.50%	3.00%
Cost-of-living adjustments	Change in price index, 3.00% cap	N/A

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**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,						
2014	\$ 799,628	\$ 100%	\$ (1,673,671)	\$ 1,165,048	\$ 100%	\$ (764,801)
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)

(6) Net Pension Liability

The components of the net pension liability at September 30, 2014, are as follows:

	General Employees' Pension Plan	Police Officers' Retirement Plan
Total pension liability	\$ 18,296,098	\$ 21,717,512
Less: Plan fiduciary net position	<u>(15,847,200)</u>	<u>(18,668,199)</u>
Net pension liability	<u>\$ 2,448,898</u>	<u>\$ 3,049,313</u>
Plan fiduciary net position as a percentage of total pension liability	<u>\$ 86.62%</u>	<u>85.96%</u>

The total pension liability was determined by actuarial valuations as of October 1, 2014, using the actuarial assumptions as described in Note 7.A.(4) and applied to all prior periods included in the measurement.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 (see the discussion of the pension plan's investment policy), are summarized in the following table:

Asset Class	General Employee's Pension Plan		Police Officers' Retirement Plan	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	30%	0.75%	15%	0.75%
Domestic equity	55%	5.75%	54%	5.75%
International equity	12%	5.75%	10%	5.75%
Equity	0%	-%	6%	5.75%
Cash	3%	-%	15%	-%
	<u>100%</u>		<u>100%</u>	

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

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

A. Single Employer Defined Benefit Plans – Continued

(6) Net Pension Liability – Continued

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

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

	<u>General Employee’s Pension Plan</u>		<u>Police Officers’ Retirement Plan</u>	
	<u>Discount Rate</u>	<u>Net Pension Liability</u>	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease	5.50%	\$ 4,730,457	6.50%	\$ 5,472,761
Current discount rate	6.50%	\$ 2,448,898	7.50%	\$ 3,049,313
1% increase	7.50%	\$ 549,669	8.50%	\$ 498,159

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

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

As of September 30, 2014, there were 61 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. Through July 31, 2014, no new entrants were permitted into the plan.

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**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 \$122,308 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 2014, twenty-three retirees and dependents received health care benefits. Annual required contributions amounted to approximately \$8640,000 for the current fiscal year, towards which the Town made a contribution of approximately \$245,000. At September 30, 2014, the Town recorded net OPEB obligations of \$1,288,831 for governmental activities and \$326,627 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, 2014, of \$260,767, \$57,569, and \$8,291, respectively. The OPEB obligation is a function of annual required contributions, interest, adjustments to the annual required contributions, annual pension costs, and actual employers’ contributions made to the plan.

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**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	\$	870,000
Interest on net OPEB obligation		45,000
Adjustment to annual required contributions		<u>(51,000)</u>
Annual OPEB cost (expense)		864,000
Employer contributions		<u>(245,000)</u>
Increase in net OPEB obligation		619,000
Net OPEB obligation, beginning of year		<u>997,000</u>
Net obligation, end of year	\$	<u><u>1,616,000</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, 2014, and the preceding three years were as follows (rounded):

<u>Year Ended September 30.</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributions</u>	<u>Net OPEB Obligations</u>
2014	\$ 864,000	28.4%	\$ 1,616,000
2013	360,000	60.3%	997,000
2012	360,000	42.8%	855,000

(4) Funded Status and Funding Progress

As of October 1, 2013, the date of the most recent actuarial valuation, the unfunded actuarial accrued liability for benefits was \$8,572,003, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,976,122, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 172.3%. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**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 October 1, 2013, actuarial valuation, the entry age cost method was used. The ARC reflects a 30-year, level amortization of the unfunded actuarial accrued liability (“AAL”). The actuarial assumptions included 3% projected salary increases. Annual medical costs are assumed to increase 7.5% in the first year of valuation, with 0.5% decreases annually assumed to grade uniformly to 4.5% in 2019 and remain at 4.5% 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, 2014, the Town received \$249,040 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, 2014, the Town received \$184,200 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>
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	60,000	67,513	127,513
2020 – 2024	300,000	397,289	697,289
2025 – 2029	<u>270,000</u>	<u>452,667</u>	<u>722,667</u>
	<u>\$ 870,000</u>	<u>\$ 1,151,446</u>	<u>\$ 2,021,446</u>

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**8. Operating Leases – Continued:**

Total fiscal 2014 rental expenditures under the ground lease were \$111,583 including \$51,583 of contingent rentals.

Total rents under all operating leases, including short-term, month-to-month rentals, were \$125,685 for the year ended September 30, 2014.

**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, 2014, are as follows:

	Balance October 1, 2013	Additions	Reductions	Balance September 30, 2014
Notes payable	\$ 6,259,642	\$ -	\$ 329,898	\$ 5,929,744
Compensated absences	698,086	17,039	-	715,125
Other post employment benefits	781,409	741,426	234,004	1,288,831
	<u>\$ 7,739,137</u>	<u>\$ 758,465</u>	<u>\$ 563,902</u>	<u>\$ 7,933,700</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>
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	361,859	110,452	472,311
2020 – 2024	1,776,178	420,314	2,196,492
2025 – 2029	1,905,603	189,381	2,094,984
2030 – 2031	495,272	8,414	503,686
	<u>\$ 5,929,744</u>	<u>\$ 1,255,319</u>	<u>\$ 7,185,063</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, 2014**

**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, 2014, subject to adjustment monthly through December 2030, collateralized by non-ad valorem revenues of the Town.	\$ 2,425,000
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 non-ad valorem revenues of the Town (see Note 11).	3,329,814
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>174,930</u>
	<u><u>\$ 5,929,744</u></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, 2014, are as follows:

	<u>Balance October 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, September 30, 2014</u>
Notes payable	\$ 4,129,231	\$ 462,967	\$ 277,247	\$ 4,314,951
Compensated absences	133,602	27,851	-	161,453
Other post employment benefits	<u>215,529</u>	<u>122,131</u>	<u>11,033</u>	<u>326,627</u>
	<u>\$ 4,478,362</u>	<u>\$ 612,949</u>	<u>\$ 288,280</u>	<u>\$ 4,803,031</u>

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**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 semi-annual principal and interest payments of \$43,025 on November 15 and May 15 through May 15, 2024, uncollateralized.	\$ 747,644
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.05% per annum (Phase 1) and 2.54% per annum (Phase 2), payable in semi-annual principal and interest payments of \$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 semi-annually through maturity (see Note 11).	2,591,699
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 1.95% per annum, payable in semiannual principal and interest payments of \$93,405 on March 15 and September 15 (beginning September 15, 2014) through September 15, 2017, uncollateralized.	975,608
	\$ 4,314,951

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	
2015	\$ 367,446	\$ 102,092	\$ 469,538
2016	375,912	93,626	469,538
2017	384,578	84,960	469,538
2018	393,510	76,028	469,538
2019	402,526	67,013	469,539
2020 – 2024	1,297,255	223,749	1,521,004
2025 – 2029	900,020	86,965	986,985
2030	193,704	3,692	197,396
	\$ 4,314,951	\$ 738,125	\$ 5,053,076

Interest costs incurred in enterprise funds during construction are capitalized, net of interest income from the proceeds of related tax-exempt debt, if any, as part of the cost of the related assets of the water and wastewater and stormwater funds. Total interest cost incurred were \$77,357 and \$22,636 in the water and wastewater and stormwater funds, respectively, for the year ended September 30, 2014. In the stormwater fund, interest capitalized was \$12,317 and interest expense was \$10,319. There was no capitalized interest in the water and wastewater fund.

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

**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, 2014.

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

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

**11. Commitments and Contingencies:**

**A. Litigation and Other Matters**

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

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

The Town has hired an engineer to amend its comprehensive plan including capital improvement elements. The installation of necessary stormwater, drainage, and other infrastructure projects is an ongoing process. Town management has identified approximately 25 projects estimated to cost \$26 million in 2014 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, 2014, this payment totaled \$14,217.

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, 2014**

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

E. Subsequent Events

- In December 2014, the Town refinanced the TD Bank Capital Improvement Refunding Revenue Note Series 2010B. The new loan amount retired the existing debt (approximately \$3.3 million) and provides for available funds up to \$5.8 million for the purpose of financing the acquisition of rights of way and other capital improvements. The loan bears monthly principal payments of \$54,634 plus interest through maturity on December 1, 2024.
- In February 2015, the Town Council approved a new pension benefit for eligible part-time employees. The general employees' pension plan will be amended to reflect this benefit which is estimated to cost the Town an additional \$30,000 per year.
- In March 2015, the Town executed an agreement with the State Revolving Fund, whereby the grant agreement awarded for plan payment subsidy became fully funded on April 15, 2015. At that time, the required semi-annual loan payment became \$28,218. This represents no effective cash flow change to the Town; however, the principal balance outstanding at that date will be reduced by \$1,825,760.
- In March 2015, the Town Council ratified a three-year collective bargaining agreement, beginning October 1, 2014, with its police officers. In addition to three-year annual wage increases of 2½%, the agreement gives a 1% COLA to the pension benefit from date of retirement until the retiree reaches age 62. At age 62, the annual COLA adjustments end.

**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, 2014, were:

	Interfund Receivables	Interfund Payables
Fund:		
Governmental funds:		
General fund	\$ 226,371	\$ 24,352
Law enforcement trust fund	24,352	-
Town of Medley Foundation, Inc.	-	7,600
Proprietary funds:		
Water and wastewater fund	147,924	156,241
Stormwater utility fund	-	165,230
Medley Lakeside Retirement Park fund	-	2,885
Police gun range fund	-	42,339
	\$ 398,647	\$ 398,647

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

**TOWN OF MEDLEY, FLORIDA**

**Notes to the Financial Statements – Continued  
September 30, 2014**

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

Interfund transfers for the year ended September 30, 2014, were:

	Transfers In	Transfers Out
General Fund:		
Medley Lakeside Retirement Park fund	\$ -	\$ 32,000
Stormwater utility fund	-	125,000
Law Enforcement Trust fund	-	3,706,306
Water and Wastewater Fund:		
Medley Lakeside Retirement Park fund	-	117,300
Law Enforcement Trust Fund		
General fund	3,706,306	-
Stormwater Utility Fund:		
General fund	125,000	-
Medley Lakeside Retirement Park Fund:		
General fund	32,000	-
Water and wastewater fund	117,300	-
	\$ 3,980,606	\$ 3,980,606

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

**13. Fund Balances:**

The Town's fund balances are as follows at September 30, 2014:

	General Fund	Law Enforcement Trust Fund	Town of Medley Foundation, Inc.	Total
Nonspendable:				
Prepays	\$ 2,518,789	\$ -	\$ -	\$ 2,518,789
Total nonspendable	2,518,789	-	-	2,518,789
Restricted:				
Law enforcement	-	3,294,037	-	3,294,037
Total restricted	-	3,294,037	-	3,294,037
Committed:				
Foundation activities	-	-	67,681	67,681
Total committed	-	-	67,681	67,681
Assigned:				
Pension	2,000,000	-	-	2,000,000
Working capital	2,300,000	-	-	2,300,000
Retiree health insurance	400,000	-	-	400,000
Debt service	800,000	-	-	800,000
Total assigned	5,500,000	-	-	5,500,000
Unassigned	7,146,153	-	-	7,146,153
Total fund balances	\$ 15,164,942	\$ 3,294,037	\$ 67,681	\$ 18,526,660

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, 2014**

	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Ad valorem taxes	\$ 9,025,426	\$ 8,600,612	\$ (424,814)
Utility taxes	1,045,000	1,295,138	250,138
Other general taxes	935,723	816,466	(119,257)
Intergovernmental	200,596	212,867	12,271
Permits, fees, and licenses	2,513,000	3,686,357	1,173,357
Fines and forfeitures	525,000	523,025	(1,975)
User charges	85,000	116,479	31,479
Miscellaneous	83,718	246,477	162,759
Total revenues	14,413,463	15,497,421	1,083,958
<b>Expenditures:</b>			
Current operating:			
General government	4,839,001	4,116,664	(722,337)
Public safety	5,386,190	6,174,321	788,131
Physical environment	825,920	877,470	51,550
Human services	1,193,467	1,363,105	169,638
Culture and recreation	788,589	778,450	(10,139)
Capital outlay	886,000	505,070	(380,930)
Debt service	494,296	484,389	(9,907)
Total expenditures	14,413,463	14,299,469	(113,994)
Excess of Revenues Over Expenditures	-	1,197,952	1,197,952
<b>Other Financing Sources (Uses):</b>			
Transfers out	-	(3,863,306)	(3,863,306)
Total other financing sources (uses)	-	(3,863,306)	(3,863,306)
Excess of Revenues Over Expenditures and Other Financing Sources (Uses)	-	(2,665,354)	(2,665,354)
Fund Balances, beginning of year	17,830,296	17,830,296	-
Fund Balances, end of year	\$ 17,830,296	\$ 15,164,942	\$ (2,665,354)

**TOWN OF MEDLEY, FLORIDA**

**Defined Benefit Pension Trust Funds  
Required Supplementary Information  
Year Ended September 30, 2014**

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
<b>General Employees' Pension Fund:</b>						
October 1, 2014	\$ 15,847,200	\$ 19,147,057	\$ 3,299,857	82.8%	\$ 2,594,629	127.2%
October 1, 2013	14,352,959	17,876,827	3,523,868	80.3%	2,118,023	166.4%
October 1, 2012	11,826,650	17,012,666	5,186,016	69.5%	1,976,411	262.4%
October 1, 2011	9,281,214	15,513,448	6,232,234	59.8%	2,224,763	280.1%
October 1, 2010	8,491,233	15,863,345	7,372,112	53.5%	2,640,787	279.2%
<b>Police Officers' Retirement Fund:</b>						
October 1, 2014	\$ 16,273,229	\$ 22,422,634	\$ 6,149,405	72.6%	\$ 2,881,548	213.4%
October 1, 2012	11,981,793	18,575,827	6,594,034	64.5%	2,688,574	245.3%
October 1, 2011	10,205,507	16,242,013	6,036,506	62.8%	2,381,807	253.4%
October 1, 2010	8,690,799	15,864,972	7,174,173	54.8%	2,416,247	296.9%
<b>Other Post Employment Benefits:</b>						
September 30, 2014	\$ -	\$ 8,572,003	\$ 8,572,003	-%	\$ 4,976,122	172.3%
September 30, 2012	-	3,471,483	3,471,483	-%	5,814,326	59.7%
September 30, 2009	-	3,460,071	3,460,071	-%	5,667,673	61.0%

B. Schedules of Employer Contributions:

	Required Contribution	Percentage Contributed	Net Pension/OPEB Obligation (Asset)
<b>General Employees' Pension Fund:</b>			
From October 1, 2013, through September 30, 2014	\$ 799,268	100%	\$ (1,673,671)
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)
<b>Police Officers' Retirement Fund:</b>			
From October 1, 2013, through September 30, 2014	\$ 1,274,568	100%	\$ (764,801)
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)
<b>Other Post Employment Benefits:</b>			
From October 1, 2013, through September 30, 2014	\$ 863,556	28.4%	\$ 1,615,458
From October 1, 2012, through September 30, 2013	360,000	60.3%	996,940
From October 1, 2011, through September 30, 2012	360,000	42.8%	854,535

**TOWN OF MEDLEY, FLORIDA**  
**Defined Benefit Pension Trust Funds**  
**Required Supplementary Information – Continued**  
**Year Ended September 30, 2014**

C. Notes to Required Supplementary Information:

	General Employees' Pension Fund	Police Officers' Retirement Fund	Other Post-Employment Benefits
Valuation date	October 1, 2014	October 1, 2014	October 1, 2013
Actuarial cost method	Aggregate	Frozen Initial Liability	Entry Age
Amortization method	N/A	Level percentage of pay, closed	Level percentage of pay, closed
Amortization period	N/A	29 years	30 years
Actuarial asset valuation method	Fair market value	Four year smooth	Fair market value
Actuarial assumptions:			
Investment rate of return	6.50%	7.50%	N/A
Projected salary increases	3.50%	3.960% – 6.68%	3.00%
Inflation	2.50%	3.00%	Variable
Cost-of-living adjustments	Change in price index, 3.00% cap	N/A	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, 2014**

<b>Assets</b>	<u>Medley Lakeside Retirement Park Fund</u>	<u>Police Gun Range Fund</u>	<u>Total Other Proprietary Funds</u>
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 35,399	\$ 219,516	\$ 254,915
Receivables, net	<u>-</u>	<u>37,909</u>	<u>37,909</u>
Total current assets	<u>35,399</u>	<u>257,425</u>	<u>292,824</u>
Capital Assets, net	<u>92,586</u>	<u>105,905</u>	<u>198,491</u>
Total assets	<u>127,985</u>	<u>363,330</u>	<u>491,315</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	11,625	6,722	18,347
Due to other funds	<u>2,885</u>	<u>42,339</u>	<u>45,224</u>
Total current liabilities	<u>14,510</u>	<u>49,061</u>	<u>63,571</u>
<b>Long-Term Obligations:</b>			
Compensated absences	1,341	11,288	12,629
Other post employment benefits	<u>-</u>	<u>8,291</u>	<u>8,291</u>
Total long-term liabilities	<u>1,341</u>	<u>19,579</u>	<u>20,920</u>
Total liabilities	<u>15,851</u>	<u>68,640</u>	<u>84,491</u>
<b>Net Position</b>			
Unrestricted	<u>112,134</u>	<u>294,690</u>	<u>406,824</u>
Total net position	<u>\$ 112,134</u>	<u>\$ 294,690</u>	<u>\$ 406,824</u>

**TOWN OF MEDLEY, FLORIDA**

**Other Proprietary Funds  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended September 30, 2014**

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Operating Revenues:			
User charges	\$ 184,200	\$ 249,040	\$ 433,240
Miscellaneous other	780	5,869	6,649
Total operating revenues	184,980	254,909	439,889
Operating Expenses:			
Salaries, wages, and employee benefits	28,254	194,069	222,323
Contractual services, materials, and supplies	307,993	58,068	366,061
Depreciation and amortization	14,879	25,941	40,820
Total operating expenses	351,126	278,078	629,204
Operating Loss	(166,146)	(23,169)	(189,315)
Non-Operating Revenues:			
Interest income	30	619	649
Total non-operating revenues	30	619	649
Loss Before Transfers	(166,116)	(22,550)	(188,666)
Transfers:			
Transfers in	149,300	-	149,300
Total transfers	149,300	-	149,300
Net Loss	(16,816)	(22,550)	(39,366)
Net Position, beginning of year	128,950	317,240	446,190
Net Position, end of year	\$ 112,134	\$ 294,690	\$ 406,824

**TOWN OF MEDLEY, FLORIDA**

**Other Proprietary Funds  
Combining Statement of Cash Flows  
Year Ended September 30, 2014**

	<u>Medley Lakeside Retirement Park Fund</u>	<u>Police Gun Range Fund</u>	<u>Total Other Proprietary Funds</u>
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers and users	\$ 184,200	\$ 237,456	\$ 421,656
Payments to suppliers	(312,333)	(66,213)	(378,546)
Payments to employees	(28,254)	(186,357)	(214,611)
Other receipts	780	5,869	6,649
Net cash used in operating activities	<u>(155,607)</u>	<u>(9,245)</u>	<u>(164,852)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Transfers from other funds	149,300	-	149,300
Change in due from/to other funds	(6,993)	(600)	(7,593)
Net cash provided by (used in) noncapital financing activities	<u>142,307</u>	<u>(600)</u>	<u>141,707</u>
<b>Cash Flows From Investing Activities:</b>			
Interest income received	30	619	649
Net cash provided by investing activities	<u>30</u>	<u>619</u>	<u>649</u>
Net Decrease in Cash and Cash Equivalents	(13,270)	(9,226)	(22,496)
Cash and Cash Equivalents, beginning of year	<u>48,669</u>	<u>228,742</u>	<u>277,411</u>
Cash and Cash Equivalents, end of year	<u>\$ 35,399</u>	<u>\$ 219,516</u>	<u>\$ 254,915</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>			
Operating loss	\$ (166,146)	\$ (23,169)	\$ (189,315)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	14,879	25,941	40,820
Loss on disposal of assets	-	153	153
Changes in:			
Receivables	-	(11,584)	(11,584)
Accounts payable and accrued liabilities	(4,340)	(8,298)	(12,638)
Compensated absences	-	4,255	4,255
Other post-employment benefits	-	3,457	3,457
Net cash used in operating activities	<u>\$ (155,607)</u>	<u>\$ (9,245)</u>	<u>\$ (164,852)</u>

SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION

**TOWN OF MEDLEY, FLORIDA**

**Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended September 30, 2014**

Description	Federal CFDA/ State CSFA Number	Contract Grant Number	Total Expenditures	Pass-Through to Sub- Recipients
Federal Programs:				
U.S. Department of Justice:				
Equitable Sharing Program	16.922*		\$ 549,076	\$ -
Passed-through Florida Department Law Enforcement:				
Edward Byrne Memorial Justice Assistance Grant Program	16.938	2013-JAGD-DADE- 4-D8-070	<u>2,933</u>	<u>-</u>
Total federal awards			<u>\$ 552,009</u>	<u>\$ -</u>
State Projects:				
Florida Department of Environmental Protection:				
Wastewater Treatment Facility Construction	37.077*	SW130700	\$ 1,514,889	\$ -
Small Community Wastewater Facility Grant	37.075	SG777081	<u>140,961</u>	<u>-</u>
Total state financial assistance			<u>\$ 1,655,850</u>	<u>\$ -</u>

\* Denotes major program

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

The supplementary schedule of expenditures of federal awards and state financial assistance is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and 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 Federal Program  
and State Project and on Internal Control Over Compliance Required by  
OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*



Certified Public Accountants and Business Advisors

**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, 2014, 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 25, 2015.

**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 2014-01 and 2014-02).

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 2014-03 and 2014-05).

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 25, 2015



AVERETT  
WARMUS  
DURKEE

Certified Public Accountants and Business Advisors

**Independent Auditors' Report on Compliance for Each Major Federal Program and State Project  
and on Internal Control Over Compliance Required by OMB Circular A-133 and  
Chapter 10.550, Rules of the Auditor General**

Honorable Mayor and Town Council  
Town of Medley, Florida

**Report on Compliance for Each Major Federal Program and State Project**

We have audited Town of Medley, Florida's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and 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 federal programs and state projects for the year ended September 30, 2014. The Town's major federal programs and 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 federal programs and state projects.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs and 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, 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 federal program or 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 federal program and state project. However, our audit does not provide a legal determination of the Town's compliance.

**Opinion on Each Major Federal Program and 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 federal programs and state projects for the year ended September 30, 2014.

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 federal program and 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 federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and 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 federal program or 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 federal program or 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 federal program or 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 OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*Aurett Warmus Durkee*

Orlando, Florida  
June 25, 2015

**TOWN OF MEDLEY, FLORIDA**

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014**

**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. Federal Awards:

- |    |  |               |
|----|--|---------------|
| a. | Internal control over major programs:  |               |
| 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 programs   | Unmodified    |
| c. | Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | No            |

d. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.922	Equitable Sharing Program

- |    |   |           |
|----|---|-----------|
| e. | Dollar threshold used to distinguish between Type A and Type B programs | \$300,000 |
| f. | Auditee qualified as low-risk auditee?                                  | No        |

TOWN OF MEDLEY, FLORIDA

Schedule of Findings and Questioned Costs – Continued  
Year Ended September 30, 2014

I. Summary of Auditors' Results – Continued:

3. State Financial Assistance:

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 disclosed that are required to be reported reported under Section 10.557, *Rules of the Auditor General*

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, 2014**

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

**MATERIAL WEAKNESSES:**

**2014-01 Supervisory Review:**

Criteria: Effective internal control of financial reporting requires an element of supervisory review to reduce the ability for unauthorized transactions to occur and go undetected.

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

Cause: Although quarterly financial statements are provided to the Mayor and Town Council, they are not approved. Additionally, journal entries can be prepared, entered, and posted by one individual without review or approval.

Effect: Without proper review and approval, the risk that unauthorized transactions could occur and not be detected in a timely manner is increased.

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

Views of responsible officials and planned corrective actions: 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, nonstandard 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.

**2014-02 Capital Assets:**

Criteria: Effective internal control of capital assets requires that an inventory count be performed on a periodic basis to ensure that assets reported on the financial statements are accounted for.

Condition: The Town has not performed a recent physical inventory. 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.

Cause: There is no one at the Town who has been designated to perform annual physical inventories or to oversee the dedication of the pump stations by the developers.

Effect: The Town has not determined if the assets reported on the financial statements are accounted for. In addition, pump stations 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.

Views of responsible officials and planned corrective actions: 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 five-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, 2014**

**II. Findings Relating to the Financial Statements Reported in Accordance With Government Auditing Standards – Continued:**

**SIGNIFICANT DEFICIENCIES:**

**2014-03 Licenses and Permits:**

Criteria: Town Resolution C-644 established rates for fees that can be charged to citizens for various permits obtained through the Building Department.

Condition: 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.
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.

Cause: Reports cannot be generated that show amounts recorded in the general ledger in direct correlation to amounts recorded by the Building Department. In addition, cash registers are not utilized for payments.

Effect: 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. Furthermore, without proper controls over cash collections, errors or irregularities could occur without timely detection.

Recommendation: The Town should 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.

Views of responsible officials and planned corrective actions: 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 request for proposal 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.

**2014-04 Purchasing Procedures:**

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

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

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

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

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

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

**TOWN OF MEDLEY, FLORIDA**

**Schedule of Findings and Questioned Costs – Continued  
Year Ended September 30, 2014**

**II. Findings Relating to the Financial Statements Reported in Accordance With Government Auditing Standards – Continued:**

**SIGNIFICANT DEFICIENCIES – CONTINUED:**

**2014-04 Purchasing Procedures – Continued:**

Views of responsible officials and planned corrective actions: The Town has implemented new policies which should increase internal controls on purchases of items by credit card. When practicable, department heads have been instructed to purchase items using the Town's available credit directly from the vendor, rather than by credit card. Furthermore, department heads have been instructed to follow the procurement ordinance and write down in detail reasons why the procurement ordinance was not strictly followed. Such reasons, such as sole source vendor and prior approval by Town Council, needs to be detailed on the invoices as they are being paid.

**2013-05 Compensated Absences:**

Criteria: Section 7 of the Fair Labor Standards Act defines compensatory pay for state and local governmental employees, as well as, law enforcement and emergency response personnel. Furthermore, Chapter 44 of the Medley, Florida Code of Ordinances (the "Code") established the requirements for accumulating compensatory leave and overtime.

Condition: During our testing of the Town's procedures over compensated absences, we noted several discrepancies and weaknesses in internal control as follows:

1. Two employees were credited with compensated balances in excess of the limits set forth under the Fair Labor Standards Act.
2. Compensatory time is being awarded to department heads for their time spent at Council Meetings even though Section 44-13 of the Code strictly states that it shall be the job of each department head to appear before the Town Council when so requested without additional compensation.
3. Section 44-4 of the Code allows employees to convert unused sick time in excess of 120 hours into compensatory time or into cash at the employee's prevailing hourly rate at the time of conversion. As a result, the Town is contributing 5% towards the employee's pension each time the conversion to cash is made that would otherwise not be eligible for the benefit.

Cause: There is a lack of consistency in how compensated absences are awarded and utilized across departments and employees.

Effect: Potential abuses of compensated absences exist which could lead to excessive payouts or paid time off, as well as, low employee morale as a result of the policies not being applied consistently among all employees.

Recommendation: The Town should review its policies over compensated absences to ensure that it is in compliance with the Town's Code and the Fair Labor Standards Act.

Views of responsible officials and planned corrective actions: The Town's attorneys are reviewing all payroll procedures as it relates to employees not covered under a collective bargaining agreement. The intention is to repeal all code provisions which are inconsistent with federal law and current practice and to implement new policies and procedures which are consistently applied to stated employees.

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

None reported

**IV. Summary of Prior Year Findings Relating to Federal Awards and 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	2013-01	Not corrected	Yes – Item 2012-01
Capital Assets	2013-02	Not corrected	Yes – Item 2012-02
Licenses and Permits	2013-03	Not corrected	Yes – Item 2013-03
Purchasing Procedures	2013-04	Not corrected	No



Certified Public Accountants and Business Advisors

## **Management Letter Required by Section 10.550 of the Rules of the Auditor General of the State of Florida**

Honorable Mayor and Town Council  
Town of Medley, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the Town of Medley, Florida (the "Town"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 25, 2015.

### **Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*.

### **Other Reports and Schedule**

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 Federal Program and State Project and on Internal Control Over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 25, 2015, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit except report as noted in the Status of Prior Year Recommendations found on page 69.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town was formed in 1949 and incorporated under Chapter 165 of the Florida Statutes and has one component unit, the Town of Medley Foundation, Inc. (the "Foundation"). The Town was created pursuant to a special election held April 9, 1949. The Foundation was created by action of the Town Council who approved the Articles of Incorporation and By-Laws and has applied for and received a 501(c)(3) determination letter from the Internal Revenue Service. The members of the Town Council serve as the Foundation's Board of Directors.

Honorable Mayor and Town Council  
Town of Medley, Florida

### **Financial Condition**

Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *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.

### **Annual Financial Report**

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

### **Other Matters**

Section 10.554(1)(i)2., *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)3., *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.

### **Purpose of This Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, 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 25, 2015



Certified Public Accountants and Business Advisors

**Independent Accountants' Report on Compliance  
With Section 218.415, Florida Statutes**

Honorable Mayor and Town Council  
Town of Medley, Florida

We have examined the Town of Medley, Florida's (the "Town") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

*Averett Warmus Durkee*

Orlando, Florida  
June 25, 2015