

TOWN OF MEDLEY, FLORIDA
FINANCIAL SECTION AND
SUPPLEMENTARY FINANCIAL REPORTS
COMPLIANCE SECTION
Year Ended September 30, 2007

TOWN OF MEDLEY, FLORIDA

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Independent Auditors' Report

Honorable Mayor and Town Council
Town of Medley, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Medley, Florida, as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited each fiduciary fund type of the Town of Medley, Florida as of and for the year ended September 30, 2007 as displayed in the Town's basic financial statements. These financial statements are the responsibility of Town of Medley, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as well as each fiduciary fund type of the Town of Medley, Florida, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Town has retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of September 30, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2008, on our consideration of Town of Medley, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and Town Council
Town of Medley, Florida

The management's discussion and analysis and budgetary comparison information and the defined benefit pension information on pages 3 through 10 and 43 and 44, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Medley, Florida's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Town of Medley, Florida. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Auerett Warmus Durkee

June 26, 2008

TOWN OF MEDLEY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2007

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, 2007.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$170,919,861 (*net assets*). Of this amount, \$16,447,607 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to residents and creditors.
- During the fiscal year, the Town's total net assets increased by \$5,719,211 or by approximately 13%. The increase was mostly attributable to increase in ad valorem tax revenues, increase in investment earnings and an increase in charges for services. The Town also received operating and capital gains which increase net assets.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$15,514,581, an increase of \$1,496,396 in comparison with the prior year. Of this amount \$12,569,434, is *available for spending* at the government's discretion (*unreserved fund balance*) of which \$8,600,000 has been designated for future projects and expenditures.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 11 and 12 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.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Overview of the Financial Statements – Continued

Fund financial statements – continued.

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

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

The Town maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the Town of Medley Foundation, Inc. which is considered to be a special revenue fund.

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

The basic governmental fund financial statements can be found on pages 13 and 14 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 15 through 18 of this report.

Fiduciary funds. The fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town of Medley, Florida's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 19 and 20 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 21 through 41 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 43 and 44 of this report.

The combining statements referred to earlier in connection with nonmajor proprietary funds are presented immediately following the required supplementary information on pensions. Combining fund statements can be found on pages 46 through 47 of this report.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Government-Wide Financial Analysis

The table below summarizes the statements of net assets:

Town of Medley, Florida's Net Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30, 2007	2006	September 30, 2007	2006	September 30, 2007	2006		
Current and other assets	\$ 16,207,165	\$ 15,889,859	\$ 6,565,613	\$ 3,771,406	\$ 22,772,778	\$ 19,661,265	\$ 3,111,513	15.8 %
Capital assets, net, as restated	<u>131,824,942</u>	<u>130,966,057</u>	<u>21,118,612</u>	<u>20,706,282</u>	<u>152,943,554</u>	<u>151,672,339</u>	<u>1,271,215</u>	<u>0.8</u>
Total assets	<u>148,032,107</u>	<u>146,855,916</u>	<u>27,684,225</u>	<u>24,477,688</u>	<u>175,716,332</u>	<u>171,333,604</u>	<u>4,382,728</u>	<u>2.6</u>
Long-term liabilities outstanding, as restated	<u>1,051,120</u>	<u>926,567</u>	<u>1,328,741</u>	<u>1,325,912</u>	<u>2,379,861</u>	<u>2,252,479</u>	<u>127,382</u>	<u>5.7</u>
Other liabilities, as restated	<u>692,684</u>	<u>1,871,774</u>	<u>1,723,926</u>	<u>2,008,701</u>	<u>2,416,610</u>	<u>3,880,475</u>	<u>(1,463,865)</u>	<u>(37.7)</u>
Total liabilities	<u>1,743,804</u>	<u>2,798,341</u>	<u>3,052,667</u>	<u>3,334,613</u>	<u>4,796,471</u>	<u>6,132,954</u>	<u>(1,336,483)</u>	<u>(21.8)</u>
Net assets:								
Investment in capital assets, net of related debt, as restated	<u>131,824,942</u>	<u>130,966,057</u>	<u>19,702,265</u>	<u>19,311,545</u>	<u>151,527,207</u>	<u>150,277,602</u>	<u>1,249,605</u>	<u>0.8</u>
Restricted	<u>2,945,047</u>	<u>2,608,352</u>	<u>-</u>	<u>-</u>	<u>2,945,047</u>	<u>2,608,352</u>	<u>336,695</u>	<u>12.9</u>
Unrestricted	<u>11,518,314</u>	<u>10,483,166</u>	<u>4,929,293</u>	<u>1,831,530</u>	<u>16,447,607</u>	<u>12,314,696</u>	<u>4,132,911</u>	<u>33.6</u>
Total net assets, as restated	<u>\$ 146,288,303</u>	<u>\$ 144,057,575</u>	<u>\$ 24,631,558</u>	<u>\$ 21,143,075</u>	<u>\$ 170,919,861</u>	<u>\$ 165,200,650</u>	<u>\$ 5,719,211</u>	<u>3.5 %</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Medley, Florida, assets exceeded liabilities by \$170,919,861 at September 30, 2007, an increase of \$5,719,211 from the prior fiscal year.

The largest portion of the Town of Medley, Florida's net assets, \$151,527,207, or 89%, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, \$2,945,047, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$16,447,607, may be used to meet the government's ongoing obligations to residents and creditors.

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

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Government-Wide Financial Analysis – Continued

Governmental and business-type activities. Governmental activities increased the Town of Medley, Florida's net assets by \$2,230,728, thereby accounting for 39% of the total growth in the net assets of the Town. The table below summarizes the statements of activities:

Town of Medley, Florida

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	Year Ended September 30, 2007	2006	Year Ended September 30, 2007	2006	Year Ended September 30, 2007	2006		
Revenues:								
Program revenues:								
Charges for services	\$ 1,185,710	\$ 1,095,130	\$ 6,743,319	\$ 6,011,230	\$ 7,929,029	\$ 7,106,360	\$ 822,669	11.6 %
Operating grants and contributions	96,299	580,815	6,472	599,006	102,771	1,179,821	(1,077,050)	(91.3)
Capital grants and contributions	143,500	395,893	1,221,401	1,803,710	1,364,901	2,199,603	(834,702)	(37.9)
General revenues:								
Ad valorem taxes	10,580,753	9,706,844	-	-	10,580,753	9,706,844	873,909	9.0
Utility taxes	1,955,957	2,281,741	-	-	1,955,957	2,281,741	(325,784)	(14.3)
Franchise fees	1,222,801	1,165,646	-	-	1,222,801	1,165,646	57,155	4.9
Intergovernmental	1,079,426	1,212,717	-	-	1,079,426	1,212,717	(133,291)	(11.0)
Investment earnings	736,166	544,659	304,142	173,223	1,040,308	717,882	322,426	44.9
Other	239,085	259,630	68,649	-	307,734	259,630	48,104	18.5
Internal activity: Transfers	(250,000)	(455,000)	250,000	455,000	-	-	-	-
Total revenues and transfers	16,989,697	16,788,075	8,593,983	9,042,169	25,583,680	25,830,244	(246,564)	(1.0)
Expenses:								
General government	7,952,162	7,280,010	-	-	7,952,162	7,280,010	672,152	9.2
Public safety	4,433,980	4,151,217	-	-	4,433,980	4,151,217	282,763	6.8
Physical environment	898,164	769,539	-	-	898,164	769,539	128,625	16.7
Human services	744,919	649,310	-	-	744,919	649,310	95,609	14.7
Culture and recreation	729,744	769,033	-	-	729,744	769,033	(39,289)	(5.1)
Interest	-	-	105,538	108,506	105,538	108,506	(2,968)	(2.7)
Water and wastewater	-	-	3,562,040	3,491,160	3,562,040	3,491,160	70,880	2.0
Stormwater utility	-	-	799,902	889,184	799,902	889,184	(89,282)	(10.0)
Medley retirement park	-	-	319,351	324,208	319,351	324,208	(4,857)	(1.5)
Police gun range	-	-	318,669	231,636	318,669	231,636	87,033	37.6
Total expenses	14,758,969	13,619,109	5,105,500	5,044,694	19,864,469	18,663,803	1,200,666	6.4
Increase in Net Assets	2,230,728	3,168,966	3,488,483	3,997,475	5,719,211	7,166,441	(1,447,230)	(20.2)
Net Assets, beginning of year, as restated	144,057,575	140,888,609	21,143,075	17,145,600	165,200,650	158,034,209	(7,166,441)	4.5
Net Assets, end of year	\$ 146,288,303	\$ 144,057,575	\$ 24,631,558	\$ 21,143,075	\$ 170,919,861	\$ 165,200,650	\$ 5,719,211	3.5 %

Governmental activities. Key elements which resulted in the net increase are as follows:

- Ad valorem taxes increased in the general fund by \$873,909, or 9%, from the previous year. This increase is attributed to an increase in taxable real property value. Additionally, there has been extensive commercial and industrial development in recently annexed lands, further adding to the Town's ad valorem tax rolls.
- Operating and capital grants and contributions revenue decreased from the prior year because much of the 2006 operating and capital grant revenues were attributable to FEMA monies received as a result of damages caused by Hurricane Wilma in October 2005.
- The 2006-2007 ad valorem millage rate was set anticipating the start of construction of a new Town Hall. Therefore, revenues were set to meet anticipated expenditures. Construction did not begin until December 2007.
- Investment earnings increased by 45% from the prior year due to both increased balances to invest and a somewhat better interest rate environment.
- Total expenses for the governmental activities increased by \$1,139,860. Salaries and wages for all departments increased by approximately \$200,000. Health and other insurance costs increased by \$270,000. The increase in the health insurance was not passed to employees. The mitigation expense the Town pays to Miami-Dade County for recently annexed lands increased by \$150,000. More maintenance was performed on the physical environment this year, including an additional \$250,000 at various railroad crossings.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

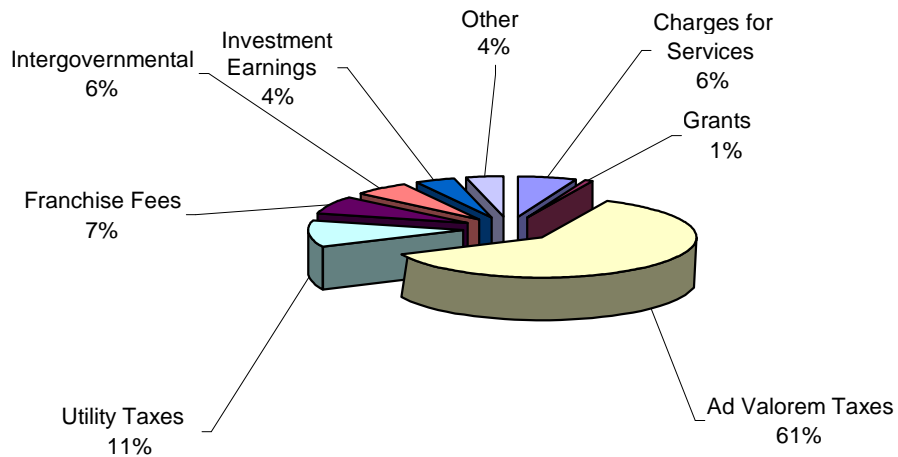
Government-Wide Financial Analysis – Continued

Governmental activities – continued.

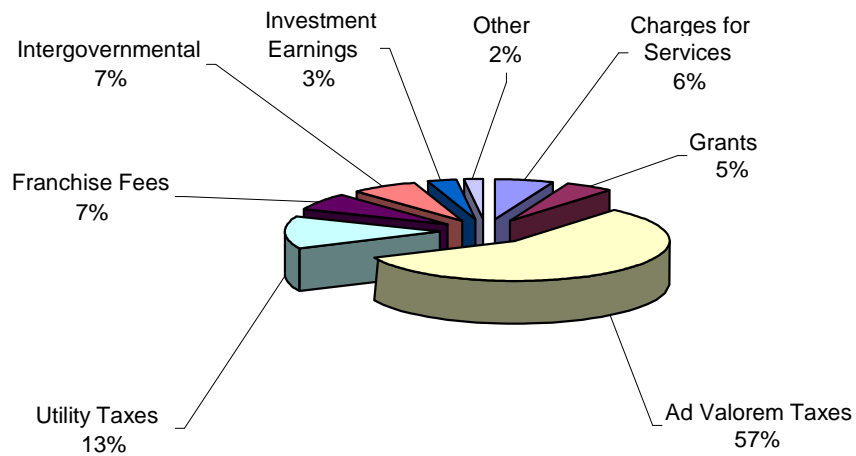
The following chart shows the amounts of program and general revenues for fiscal years 2007 and 2006:

Revenues by Source – Governmental Activities
For the Years Ended September 30, 2007 and 2006, respectively

2007



2006



TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Government-Wide Financial Analysis – Continued

Business-type activities. Business-type activities increased the Town of Medley's net assets by \$3,488,483.

Key elements of these activities are as follows:

- The water and wastewater fund experienced net income of \$1,561,103. The Town purchases all of its water from Miami-Dade County Water and Sewer Department and resells it to its customers. The Town has made substantial progress in identifying and correcting water losses. The Town has experienced water losses whereby the water purchased from the County has been greater than the water sold to Town customers. These losses are down to approximately 20%, compared to previous years' 35%-40%. The Town continues to aggressively review and repair its system with the goal of achieving under a 10% loss. Additional reasons why the water and wastewater fund experienced operating income are new water and sewer services in recently developed areas and an increase in water and sewer rates.
- Stormwater utility department net assets increased by \$1,876,398, due to revenues from new customers from recently annexed lands and new developments. In addition, the majority of stormwater expenditures are for capital improvements, which by its nature increase the fund's assets. The costs of these assets are then allocated over their estimated useful lives. There was an operating transfer from the general fund to the Stormwater utility department of \$90,000 during the year. The \$90,000 operating transfer corresponds to fuel tax revenue from the State of Florida collected by the general fund. This revenue source is earmarked for road improvement projects. Most the Town's road improvements are constructed as road and drainage/stormwater projects.
- There was an operating transfer from the general fund to the Medley lakeside retirement park fund of \$160,000 during the year. The Medley lakeside retirement park fund continues to experience operating losses. Land rents collected from residents do not cover operating expenses. In accordance with Council authorization, the Town of Medley general fund will continue to fund these losses.
- Capital contributions from developers consisting of water and sewer infrastructure increased the net assets by \$546,316.

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.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$15,514,481, an increase of \$1,496,396 in comparison with the prior year. This increase is due mainly to the increase in ad valorem taxes. Revenues were also collected from utility taxes, operating and capital grants and contributions, and miscellaneous revenues. In addition, capital projects budgeted for 2007 were not started until fiscal year 2008.

The general fund is the chief operating fund of the Town of Medley, Florida. General tax revenues and other receipts that are not allocated to another fund by law or contractual commitment are accounted for in this fund. General operating expenses and capital improvement costs not paid through another fund are paid from this fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$12,569,434. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 80% of total general fund expenditures.

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

The total growth in net assets for all enterprise fund statements was \$3,488,483. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Medley, Florida's business-type activities.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

General Fund Budgetary Highlights

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

General fund revenues were \$1,843,547 higher than the final budgeted amounts. Actual ad valorem collections were higher because of higher final assessments. New development in the annexed area led to greater revenue from permitting fees and new business licenses. The Town also had revenue from grants which were not budgeted. Included in miscellaneous revenues is interest on investments where the Town earned more than budgeted.

General fund expenditures were lower than the final budgeted amount by \$7,825,970. This is primarily due to the delay in the construction of the new Municipal Service Facility. Construction started in December 2007.

Additional information on budgetary comparisons between the final budget and actual results can be found on page 43 of this report.

Capital Asset and Debt Administration

Capital assets. The Town of Medley, Florida's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amounts to \$152,943,554 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, water, wastewater and stormwater utility systems, machinery and equipment, and park facilities.

Effective October 1, 2006, the Town implemented the provisions of GASB 34 regarding the recording of infrastructure assets (right of way, roadways, bridges). Prior to October 1, 2006, these assets were not capitalized. These assets have been valued at estimated historical costs.

The Town plans to construct a new Municipal Service Facility to provide all of its municipal services from one central location. The design of this facility will include available space for services provided by other agencies, including County, State and Federal. The design includes a wellness/nutritional center for the public, conference rooms for use by various agencies, a computer center for use by members of the public, kitchen facilities to provide hot meals in the event that public feeding is required during public emergencies, sanitary facilities including showers in the event of public emergencies, and educational facilities for the Town's Educational Enrichment Program which benefits students from pre-K through college.

The anticipated cost of this project will be \$11,900,000 of which \$1,100,000 has been spent for the land and \$300,000 for architectural and engineering fees. In November 2007, the Town Council approved a construction contract to build the building for \$10,500,000. The project will be funded as follows: the Town will contribute \$3,000,000 from its reserves; the balance of \$7,500,000 will be financed with a bank under a construction non-revolver credit line, approved by the Town Council, November 2007. The term of the construction loan is 18 months with an option to renew for an additional six months and a option for a 10 year permanent loan, with a balloon payment due at maturity. The interest rate is set at 1.87% over the one month LIBOR during the construction period and fixed at the prevailing five-year swap rate at the end of the construction period set at such time plus 1.50%. Payment during the permanent loan will be equal monthly principal and interest based on a 25-year amortization schedule. The loan is unsecured.

Under the loan agreement, the Town is required to maintain a money market account with the bank and shall deposit all electric utility deposits into this account for the duration of the loan. These monies will be available to pay the monthly debt service. The Town Council will also submit its annual budget to the bank whereby certain non ad-valorem revenues are allocated to support the debt service.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Capital Asset and Debt Administration – Continued

Capital assets – Continued

Town of Medley, Florida

Capital Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	Total % Change
	September 30, 2007	2006	September 30, 2007	2006	September 30, 2007	2006		
Land	\$ 2,975,088	\$ 1,405,937	\$ 728,478	\$ 729,345	\$ 3,703,566	\$ 2,135,282	\$ 1,568,284	73.4 %
Construction in progress	453,784	363,068	288,199	995,181	741,983	1,358,249	(616,266)	(45.4)
Buildings and improvements	2,294,189	2,088,430	1,034,579	1,045,774	3,328,768	3,134,204	194,564	6.2
Infrastructure	142,545,363	142,519,596	-	-	142,545,363	142,519,596	25,767	-
Machinery, equipment and vehicles	3,318,888	3,035,660	2,204,332	1,824,350	5,523,220	4,860,010	663,210	13.6
Water and wastewater systems	-	-	19,905,397	19,905,397	19,905,397	19,905,397	-	-
Stormwater systems	-	-	6,075,066	4,627,834	6,075,066	4,627,834	1,447,232	31.3
Total	151,587,312	149,412,691	30,236,051	29,127,881	181,823,363	178,540,572	3,282,791	1.8
Accumulated depreciation	(19,762,370)	(18,446,634)	(9,117,439)	(8,421,599)	(28,879,809)	(26,868,233)	(2,011,576)	7.5
	\$ 131,824,942	\$ 130,966,057	\$ 21,118,612	\$ 20,706,282	\$ 152,943,554	\$ 151,672,339	\$ 1,271,215	0.8 %

Additional information on the Town of Medley, Florida's capital assets can be found in Note 5 on pages 30 through 31 of this report.

Long-term obligations. At year-end, the Town had \$1,665,815 in notes outstanding versus \$1,531,724 last year. This is a net increase of approximately 9%. New debt acquired amounted to \$406,640. Included in long-term obligations is \$920,713 in accrued compensated absence liabilities. Repayments amounted to \$272,549. Additional information on the Town of Medley, Florida's long-term debt can be found in Note 10 on pages 36 and 37 of this report.

Economic Factors and Next Year's Budgets and Rates

In 2002 the Town of Medley annexed approximately 800 acres of land from Miami-Dade County. The Town is currently pursuing the annexation of additional lands from Miami-Dade County. This should add significantly to the tax base and development capability of the Town for years to come.

Other municipalities have expressed interest in annexing the same lands as the Town. At this time it is unknown which or if any of the lands will be awarded to the Town of Medley.

The Town of Medley, Florida has appropriated \$1,544,119 of their unreserved fund balance for spending in the 2008 fiscal year budget.

The operating millage for the fiscal year, September 30, 2008, is stated at 5.7513 mills. This represents 95% of the rolled back rate and is based on the state formulas imposed by the Property Tax Reform Act of 2007. As a result, the Town estimates it will lose approximately \$400,000 in ad valorem revenues

Effective January 2006, the Miami Dade Water and Sewer Authority increased the water and wastewater rates it charges the Town's water and wastewater fund. These increases have been passed along to the Town's water and wastewater customers. An additional increase of approximately 25% in the Town's rates has been passed along to its customers. The Town has not increased its potable water and wastewater treatment rates, except for direct pass throughs of potable water and wastewater treatment increases and Miami Dade Water and Sewer fees, since 1997. The additional increase has been assessed because costs associated with the operation of the Town of Medley Utility has substantially increased since 1997, including but not limited to costs for labor, employee benefits, meters, installation, repairs, vehicles and other equipment and tools.

The stormwater utility fund's rates were not increased for the 2008 budget year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Medley, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Roy Danziger, Finance Director, Town of Medley, Florida.

TOWN OF MEDLEY, FLORIDA

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

September 30, 2007

ASSETS	Governmental Activities	Business- Type Activities	Total
Cash and cash equivalents	\$ 2,060,195	\$ 3,279,301	\$ 5,339,496
Investments	9,769,707	3,156,907	12,926,614
Receivables, net	995,300	1,475,756	2,471,056
Internal balances	2,084,516	(2,084,516)	-
Prepaid expenses	749,345	51,461	800,806
Restricted assets:			
Cash and cash equivalents	548,102	405,409	953,511
Investments	-	257,711	257,711
Capital assets, net	131,824,942	21,118,612	152,943,554
Other assets – net	-	23,584	23,584
TOTAL ASSETS	<u>148,032,107</u>	<u>27,684,225</u>	<u>175,716,332</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	517,421	768,284	1,285,705
Deferred revenue	175,263	133,979	309,242
Liabilities payable from restricted assets	-	614,996	614,996
Notes payable:			
Due within one year	-	206,667	206,667
Due after one year	1,051,120	1,328,741	2,379,861
TOTAL LIABILITIES	<u>1,743,804</u>	<u>3,052,667</u>	<u>4,796,471</u>
NET ASSETS			
Investment in capital assets, net of related debt	131,824,942	19,702,265	151,527,207
Restricted	2,945,047	-	2,945,047
Unrestricted	11,518,314	4,929,293	16,447,607
TOTAL NET ASSETS	<u>\$ 146,288,303</u>	<u>\$ 24,631,558</u>	<u>\$ 170,919,861</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Functions/ Programs	Total Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
General government	\$ 7,952,162	\$ 949,780	\$ 96,299	\$ 83,500	\$ (6,822,583)	\$ -	\$ (6,822,583)
Public safety	4,433,980	235,930	-	-	(4,198,050)	-	(4,198,050)
Physical environment	898,164	-	-	-	(898,164)	-	(898,164)
Human services	744,919	-	-	-	(744,919)	-	(744,919)
Culture and recreation	729,744	-	-	60,000	(669,744)	-	(669,744)
Total governmental activities	<u>14,758,969</u>	<u>1,185,710</u>	<u>96,299</u>	<u>143,500</u>	<u>(13,333,460)</u>	<u>-</u>	<u>(13,333,460)</u>
Business-Type Activities:							
Water and wastewater utility	3,667,578	4,750,451	-	321,931	-	1,404,804	1,404,804
Stormwater utility	799,902	1,549,355	-	899,470	-	1,648,923	1,648,923
Medley lakeside retirement park	319,351	155,332	3,028	-	-	(160,991)	(160,991)
Police gun range	318,669	288,181	3,444	-	-	(27,044)	(27,044)
Total business-type activities	<u>5,105,500</u>	<u>6,743,319</u>	<u>6,472</u>	<u>1,221,401</u>	<u>-</u>	<u>2,865,692</u>	<u>2,865,692</u>
	<u>\$ 19,864,469</u>	<u>\$ 7,929,029</u>	<u>\$ 102,771</u>	<u>\$ 1,364,901</u>	<u>(13,333,460)</u>	<u>2,865,692</u>	<u>(10,467,768)</u>
General Revenues:							
Ad valorem taxes					10,580,753	-	10,580,753
Utility taxes					1,955,957	-	1,955,957
Franchise fees					1,222,801	-	1,222,801
Intergovernmental					1,079,426	-	1,079,426
Investment earnings					736,166	304,142	1,040,308
Miscellaneous					239,085	68,649	307,734
Transfers					(250,000)	250,000	-
Total general revenues and transfers					<u>15,564,188</u>	<u>622,791</u>	<u>16,186,979</u>
Change in net assets					2,230,728	3,488,483	5,719,211
Net Assets, Beginning of Year, as restated					<u>144,057,575</u>	<u>21,143,075</u>	<u>165,200,650</u>
Net Assets, End of Year					<u>\$ 146,288,303</u>	<u>\$ 24,631,558</u>	<u>\$ 170,919,861</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2007

ASSETS	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
Cash and cash equivalents	\$ 1,951,150	\$ 109,045	\$ 2,060,195
Investments	9,769,707	-	9,769,707
Receivables, net	995,300	-	995,300
Due from other funds	565,226	-	565,226
Prepaid items	749,345	-	749,345
Restricted assets:			
Cash and cash equivalents	548,102	-	548,102
Advances to other funds	1,550,201	-	1,550,201
TOTAL ASSETS	\$ 16,129,031	\$ 109,045	\$ 16,238,076
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	\$ 517,421	\$ -	\$ 517,421
Deferred revenue	175,263	-	175,263
Due to other funds	19,265	11,646	30,911
Total liabilities	711,949	11,646	723,595
Fund Equity:			
Fund balance:			
Reserved	2,847,648	97,399	2,945,047
Unreserved:			
Designated	8,600,000	-	8,600,000
Unreserved/undesignated	3,969,434	-	3,969,434
Total fund equity	15,417,082	97,399	15,514,481
TOTAL LIABILITIES AND FUND EQUITY	\$ 16,129,031	\$ 109,045	\$ 16,238,076
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets:			
Total fund balance – total governmental funds			\$ 15,514,481
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets of \$151,587,312, net of accumulated depreciation of \$19,762,370, are not financial resources and, therefore, are not reported in the funds.			131,824,942
Long-term obligations of \$1,051,120 are not due and payable in the current period and are not reported in the funds.			(1,051,120)
Net assets of governmental activities			\$ 146,288,303

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

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

Year Ended September 30, 2007

	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 10,580,753	\$ -	\$ 10,580,753
Utility taxes	1,955,957	-	1,955,957
Franchise fees	1,222,801	-	1,222,801
Intergovernmental	1,319,225	-	1,319,225
Licenses, permits and fees	1,032,989	-	1,032,989
Fines and forfeitures	148,807	-	148,807
Miscellaneous	955,764	23,401	979,165
Total revenues	<u>17,216,296</u>	<u>23,401</u>	<u>17,239,697</u>
Expenditures:			
Current operating:			
General government	6,733,044	-	6,733,044
Public safety	4,225,168	-	4,225,168
Physical environment	862,781	-	862,781
Human services	694,143	-	694,143
Culture and recreation	644,306	30,782	675,088
Capital outlay	2,433,484	-	2,433,484
Debt service	70,000	-	70,000
Total expenditures	<u>15,662,926</u>	<u>30,782</u>	<u>15,693,708</u>
Excess (Deficit) of Revenues Over Expenditures	1,553,370	(7,381)	1,545,989
Other Financing Uses:			
Proceeds from issuance of debt	200,407	-	200,407
Operating transfers-out	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Excess (Deficit) of Revenues Over Expenditures and Other Financing Uses	1,503,777	(7,381)	1,496,396
Fund Balances, Beginning of Year, as restated	<u>13,913,305</u>	<u>104,780</u>	<u>14,018,085</u>
Fund Balances, End of Year	<u>\$ 15,417,082</u>	<u>\$ 97,399</u>	<u>\$ 15,514,481</u>
Reserved Fund Balance	\$ 2,847,648	\$ 97,399	\$ 2,945,047
Unreserved Fund Balance:			
Designated fund balance	8,600,000	-	8,600,000
Undesignated fund balance	<u>3,969,434</u>	<u>-</u>	<u>3,969,434</u>
	<u>\$ 15,417,082</u>	<u>\$ 97,399</u>	<u>\$ 15,514,481</u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:			
Net change in fund balances – total governmental funds			\$ 1,496,396
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$2,433,484 exceeded depreciation of \$1,574,599 in the current period.			858,885
Change in long-term compensated absences recognized in statement of government activities, not recognized as expenditure.			5,854
Repayment of note payable is reported as an expenditure in governmental funds and, thus, has an effect on fund balance because current financial resources have been used for the Town as a whole, however, the principal payments reduce liabilities in the statement of net assets and do not result in expense in the statement of activities.			70,000
Increase in note payable financing			<u>(200,407)</u>
Change in net assets of governmental activities			<u>\$ 2,230,728</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

September 30, 2007

ASSETS	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Current Assets:				
Cash and cash equivalents	\$ 2,082,784	\$ 1,124,441	\$ 72,076	\$ 3,279,301
Investments	1,035,861	2,071,046	50,000	3,156,907
Receivables, net	563,341	240,786	46,060	850,187
Due from other governments	-	619,097	6,472	625,569
Due from other funds	18,932	-	19,265	38,197
Prepaid expenses	8,686	35,158	7,617	51,461
Restricted assets:				
Cash and cash equivalents	405,409	-	-	405,409
Investments	257,711	-	-	257,711
Total current assets	4,372,724	4,090,528	201,490	8,664,742
Capital Assets, net	14,785,022	6,061,487	272,103	21,118,612
Other Assets – Loan Costs, net	23,584	-	-	23,584
TOTAL ASSETS	19,181,330	10,152,015	473,593	29,806,938
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	700,960	32,089	35,235	768,284
Refundable advances	-	133,979	-	133,979
Due to other funds	325,089	239,844	7,579	572,512
Liabilities payable from restricted assets:				
Utility deposits	413,791	-	-	413,791
Deferred developer fees	201,205	-	-	201,205
Current portion of long-term debt	366,843	44,050	-	410,893
Total current liabilities	2,007,888	449,962	42,814	2,500,664
Long-Term Debt, less current portion:				
Notes payable	1,166,558	162,183	-	1,328,741
Advance from other fund	1,345,975	-	-	1,345,975
Total long-term debt	2,512,533	162,183	-	2,674,716
TOTAL LIABILITIES	4,520,421	612,145	42,814	5,175,380
NET ASSETS				
Investment in Capital Assets, net of related debt Unrestricted	13,539,750	5,890,412	272,103	19,702,265
	1,121,159	3,649,458	158,676	4,929,293
TOTAL NET ASSETS	\$ 14,660,909	\$ 9,539,870	\$ 430,779	\$ 24,631,558

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

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

Year Ended September 30, 2007

	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Operating Revenues:				
User charges	\$ 3,465,734	\$ 1,549,019	\$ 443,393	\$ 5,458,146
Service and hook-up charges	1,207,146	-	-	1,207,146
Miscellaneous other	77,571	336	120	78,027
Total operating revenues	<u>4,750,451</u>	<u>1,549,355</u>	<u>443,513</u>	<u>6,743,319</u>
Operating Expenses:				
Salaries, wages and employee benefits	958,420	376,582	189,244	1,524,246
Contractual services, materials and supplies	2,081,903	246,236	411,135	2,739,274
Depreciation and amortization	521,717	177,084	37,641	736,442
Total operating expenses	<u>3,562,040</u>	<u>799,902</u>	<u>638,020</u>	<u>4,999,962</u>
Operating Income (Loss)	<u>1,188,411</u>	<u>749,453</u>	<u>(194,507)</u>	<u>1,743,357</u>
Non-Operating Revenues (Expenses):				
Grants	-	675,085	6,472	681,557
Insurance proceeds	-	-	68,649	68,649
Interest income	156,299	137,475	10,368	304,142
Interest expense	(105,538)	-	-	(105,538)
Total non-operating revenues (expenses)	<u>50,761</u>	<u>812,560</u>	<u>85,489</u>	<u>948,810</u>
Income (Loss) Before Other Revenues and Operating Transfers	<u>1,239,172</u>	<u>1,562,013</u>	<u>(109,018)</u>	<u>2,692,167</u>
Other Revenues and Operating Transfers:				
Capital contributions	321,931	224,385	-	546,316
Operating transfers-in	-	90,000	160,000	250,000
Total other revenues and operating transfers	<u>321,931</u>	<u>314,385</u>	<u>160,000</u>	<u>796,316</u>
Net Income	1,561,103	1,876,398	50,982	3,488,483
Net Assets, Beginning of Year	<u>13,099,806</u>	<u>7,663,472</u>	<u>379,797</u>	<u>21,143,075</u>
Net Assets, End of Year	<u>\$ 14,660,909</u>	<u>\$ 9,539,870</u>	<u>\$ 430,779</u>	<u>\$ 24,631,558</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended September 30, 2007

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 4,802,844	\$ 1,421,321	\$ 444,732	\$ 6,668,897
Payments to suppliers	(1,982,865)	(255,662)	(397,467)	(2,635,994)
Payments to employees	(955,719)	(381,302)	(187,679)	(1,524,700)
Other receipts	77,571	336	120	78,027
Net cash provided by (used in) operating activities	<u>1,941,831</u>	<u>784,693</u>	<u>(140,294)</u>	<u>2,586,230</u>
Cash Flows From Noncapital Financing Activities:				
Increase in current liabilities payable from restricted assets	78,654	-	-	78,654
Operating transfers from other funds	-	90,000	160,000	250,000
Proceeds from insurance claim	-	-	68,649	68,649
Change in due from/to other funds	(383,325)	(127,075)	(132,466)	(642,866)
Net cash provided by (used in) noncapital financing activities	<u>(304,671)</u>	<u>(37,075)</u>	<u>96,183</u>	<u>(245,563)</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(176,388)	(1,285,623)	(20,229)	(1,482,240)
Capital contribution received	321,931	168,289	-	490,220
Advances from other funds	(166,796)	-	-	(166,796)
Proceeds from grants	-	721,497	-	721,497
Proceeds from sale of assets	23,219	-	-	23,219
Principal reduction on notes payable	(202,549)	-	-	(202,549)
Interest paid on notes payable	(90,038)	-	-	(90,038)
Net cash used in capital and related financing activities	<u>(290,621)</u>	<u>(395,837)</u>	<u>(20,229)</u>	<u>(706,687)</u>
Cash Flows From Investing Activities:				
Redemption of investments	122,917	(541,885)	-	(418,968)
Purchase of investments	(654,010)	419,818	(50,000)	(284,192)
Interest income received	142,030	161,574	10,368	313,972
Net cash provided by (used in) investing activities	<u>(389,063)</u>	<u>39,507</u>	<u>(39,632)</u>	<u>(389,188)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	957,476	391,288	(103,972)	1,244,792
Cash and Cash Equivalents, Beginning of Year	<u>1,530,717</u>	<u>733,153</u>	<u>176,048</u>	<u>2,439,918</u>
Cash and Cash Equivalents, End of Year	\$ <u>2,488,193</u>	\$ <u>1,124,441</u>	\$ <u>72,076</u>	\$ <u>3,684,710</u>

(Continued)

See accompanying notes.

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

Year Ended September 30, 2007

	Major Funds				
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	Total	
Reconciliation of Operating Income (Loss) to					
Net Cash Provided by (Used in)					
Operating Activities:					
Operating income (loss)	\$ 1,188,411	\$ 749,453	\$ (194,507)	\$	1,743,357
Adjustments to reconcile operating income (loss)					
to net cash provided by (used in)					
operating activities:					
Depreciation and amortization	521,717	177,084	37,641		736,442
Loss on disposal of assets	1,961	-	-		1,961
Changes in:					
Receivables	79,964	(127,698)	1,339		(46,395)
Due from other governments	50,000	-	-		50,000
Prepaid expenses	97,077	-	(222)		96,855
Accounts payable and accrued liabilities	-	(9,426)	13,890		4,464
Compensated absences	2,701	(4,720)	1,565		(454)
Net Cash Provided by (Used in) Operating Activities	\$ 1,941,831	\$ 784,693	\$ (140,294)	\$	2,586,230

Noncash Investing and Financing Activities:

In the Stormwater Utility Fund, a capital asset purchase of \$171,075 and long-term maintenance agreement of \$35,158 were financed under a capital lease agreement totaling \$206,233.

See accompanying notes.

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

September 30, 2007

	Pension Trust Funds		
	General Employees Pension Fund	Police Officers' Retirement Fund	Total
ASSETS			
Employer contributions receivable	\$ -	\$ 30,478	\$ 30,478
Investments at fair value	4,631,754	3,911,758	8,543,512
TOTAL ASSETS	4,631,754	3,942,236	8,573,990
LIABILITIES AND NET ASSETS			
Liabilities:			
Advance contributions from Town	584,952	-	584,952
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 4,046,802	\$ 3,942,236	\$ 7,989,038

See accompanying notes.

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

Year Ended September 30, 2007

	Pension Trust Funds		
	General Employees Pension Fund	Police Officers' Retirement Fund	Total
Additions:			
Contributions:			
Employer	\$ 1,061,492	\$ 1,228,102	\$ 2,289,594
Employee	-	122,450	122,450
Total contributions	1,061,492	1,350,552	2,412,044
Investment earnings, including net unrealized gain or loss on investments	422,905	377,955	800,860
Total additions	1,484,397	1,728,507	3,212,904
Deductions:			
Benefit payments	130,176	32,564	162,740
Administrative expenses	7,135	28,954	36,089
Total deductions	137,311	61,518	198,829
Change in net assets	1,347,086	1,666,989	3,014,075
Net Assets Held in Trust for Pension Benefits:			
Beginning of year	2,699,716	2,275,247	4,974,963
End of year	\$ 4,046,802	\$ 3,942,236	\$ 7,989,038

See accompanying notes.

TOWN OF MEDLEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2007

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, 2007.

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. 14, management determined the following component unit should be blended:

Town of Medley Foundation, Inc.

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

C. Reporting Model

Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" ("GASB 34") requires the Town to record infrastructure assets retroactively and prospectively. For the retroactive application the statement provides a phase-in timetable depending on the size of the government. The Town has implemented this requirement of the standard in the year ended September 30, 2007.

D. Government-Wide and Fund Financial Statements

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

D. Government-Wide and Fund Financial Statements – Continued

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.

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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

1. Summary of Significant Accounting Policies – Continued:

E. 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.

F. Assets, Liabilities, and Net Assets or Equity

(1) Deposits and Investments

(a) Cash and Cash Equivalents

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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. At September 30, 2007 the carrying amount of the Town's deposits was \$19,477,332 and the bank balances of the Town's deposits were \$20,088,942. The bank balances were covered by \$600,000 of federal deposit insurance and the remainder was covered by pledged collateral as required by Florida Statutes. All collateral is pledged in the Town's name and is held by a third party financial institution.

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

(2) Town of Medley's Investment Policies

(a) Credit Risk

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

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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

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

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

(b) Interest Rate Risk

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

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

(c) 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 28% of its investments in fixed income securities, 62% in domestic equity and 10% in international stock. The Police Officers Retirement Fund presently has allocated 30% of its investment in fixed income securities, 60% in domestic equity and 10% in international stock.

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.

(d) Concentrations of Credit Risk

Investments which comprise 5% or more of the plans’ assets at September 30, 2007 are as follows:

	General Employees Pension Fund	Police Officers’ Retirement Fund
Stable Asset Fund II	\$ 903,803	\$ 1,156,707
Vanguard 500 Index Admiral DB	-	388,673
T. Rowe Price Growth Stock	761,661	-
Harbor International Instl	239,446	-
Davis New York Venture Y	326,589	-
Hotchkis Wiley Large Cap Value I	708,062	-
Vanguard 500 Index DB	331,553	-
Harbor Bond	371,421	-
William Blair International Growth I	240,141	-
Vanguard Morgan Growth Adml DB	-	596,615
Vanguard Extd Market Index Adml DB	-	379,968
Ranier Small/Mid Cap Eq I Por	-	416,764
Jennison Small Company Z	-	197,123
Alliance Bernstein International Val I	-	395,192
	<u>\$ 3,882,676</u>	<u>\$ 3,531,042</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

(3) Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” See Note 14 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

Effective October 1, 2006, the Town implemented the provisions of GASB 34 regarding the recording of infrastructure assets (right of way, roadways, bridges). Prior to October 1, 2006, these assets were not capitalized. These assets have been valued at estimated historical costs.

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

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

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

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

Assets	Governmental Activities	Business-Type Activities
Land 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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

(5) Loan Costs

Costs incurred in connection with obtaining financing have been capitalized and are being amortized using the straight-line method over the life of the respective financing. Amortization expense was \$1,508 for the year ended September 30, 2007. Loan costs consist of the following at September 2007:

	<u>Water and Wastewater Fund</u>
Loan costs	\$ 29,314
Accumulated amortization	<u>(5,730)</u>
	<u>\$ 23,584</u>

(6) Deferred Revenue

Deferred revenue recorded in the governmental funds relates to fees received prior to September 30, 2007 that are for fiscal year 2008 occupational and other licenses and other fees.

(7) Refundable Advances

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

(8) Deferred Developer Fees

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

(9) Compensated Absences

The policy of the Town is to allow vesting of employee leave benefits with the right to receive compensation under certain conditions. The liability for accrued compensated absences in the enterprise funds is accrued in those funds. The liability for employees of governmental funds is reported only as a general long-term obligation in the government-wide statement of net assets and represents a reconciling item between the fund and government-wide presentations.

(10) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

G. Stewardship, Compliance, and Accountability

Budgetary Information

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

Legally Adopted Appropriated Budgets:

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

Budgeted amounts included in these financial statements are as formally amended by Town Council approval during the year.

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

The Town does not budget for the special revenue fund which accounts for the Town of Medley Foundation, Inc.

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

Legally Authorized Nonappropriated Budgets:

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

H. Estimates

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. Restatements:

A. Fund Balance – General Fund:

At October 1, 2006, the Town changed its accounting policy for accrued compensated absences recorded in the general fund to record them as a long-term obligation. This is a change from the current liability presentation previously. The adjustment at October 1, 2006 is as follows:

General fund balance, September 30, 2006, as previously reported	\$ 12,986,738
Change in classification of compensated absences from current liability to long-term obligation	<u>926,567</u>
General fund balance, October 1, 2006, as restated	<u>\$ 13,913,305</u>

B. Net Assets – Governmental Activities:

In accordance with the infrastructure provision of GASB 34, the Town made an adjustment to its governmental activities net assets effective October 1, 2006 as follows:

Net assets – governmental activities, September 30, 2006, as previously reported	\$ 17,329,847
Recording of rights of way – nondepreciable	100,224,213
Recording of roadways and bridges – depreciable	41,769,742
Accumulated depreciation	<u>(15,266,227)</u>
Net assets – governmental activities, October 1, 2006, as restated	<u>\$ 144,057,575</u>

3. Cash, Cash Equivalents and Investments:

Cash and cash equivalents at September 30, 2007 consist of the following:

	Governmental Fund Types		Proprietary	Total All	Financial
	General	Special	Fund Type		
	Fund	Revenue	Enterprise	Funds	Institution
		Fund	Funds		Balance
Unrestricted:					
Demand deposits	\$ 1,918,969	\$ -	\$ 2,440,596	\$ 4,359,565	\$ 4,798,634
Money market funds	32,181	109,045	286,694	427,920	427,920
Savings accounts	<u>-</u>	<u>-</u>	<u>499,404</u>	<u>499,404</u>	<u>499,404</u>
	<u>1,951,150</u>	<u>109,045</u>	<u>3,226,694</u>	<u>5,286,889</u>	<u>5,725,958</u>
Restricted:					
Demand deposits	-	-	253,812 ⁴	253,812	253,812
Money market funds	<u>548,102³</u>	<u>-</u>	<u>204,204^{1&2}</u>	<u>752,306</u>	<u>749,591</u>
	<u>548,102</u>	<u>-</u>	<u>458,016</u>	<u>1,006,118</u>	<u>1,003,403</u>
Total Cash and Cash Equivalents	<u>\$ 2,499,252</u>	<u>\$ 109,045</u>	<u>\$ 3,684,710</u>	<u>\$ 6,293,007</u>	<u>\$ 6,729,361</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. Cash, Cash Equivalents and Investments – Continued:

Investments at September 30, 2007 consist of the following:

	<u>General Fund</u> Cost and Fair Value	<u>Enterprise Funds</u> Cost and Fair Value	<u>Total All Funds</u> Cost and Fair Value	<u>Financial Institution Balance</u>
Unrestricted:				
Certificates of deposit	\$ 9,769,707	\$ 3,156,907	\$ 12,926,614	\$ 13,093,738
Restricted:				
Certificates of deposit	-	257,711 ¹	257,711	265,843
Total Investments	<u>\$ 9,769,707</u>	<u>\$ 3,414,618</u>	<u>\$ 13,184,325</u>	<u>\$ 13,359,581</u>

¹ Restricted for customer utility deposits

² Restricted for water and wastewater planning and design

³ Restricted for law enforcement and transportation

⁴ Restricted for deferred developer fees

4. Accounts Receivable and Due From Other Governments:

Accounts receivable and due from other governments consist of the following at September 30, 2007:

	<u>General Fund</u>	<u>Enterprise Funds</u>				<u>Total Enterprise</u>	<u>Total</u>
		<u>Water and Wastewater</u>	<u>Stormwater Utility</u>	<u>Lakeside Park</u>	<u>Police Gun Range</u>		
Accounts Receivable:							
User charges	\$ -	\$ 549,852	\$ 183,795	\$ -	\$ 46,060	\$ 779,707	\$ 779,707
Interest	280,766	25,489	56,991	-	-	82,480	363,246
Utility taxes	162,037	-	-	-	-	-	162,037
Franchise taxes	96,420	-	-	-	-	-	96,420
Other	21,510	-	-	-	-	-	21,510
Total accounts receivable	<u>560,733</u>	<u>575,341</u>	<u>240,786</u>	<u>-</u>	<u>46,060</u>	<u>862,187</u>	<u>1,422,920</u>
Due From Other Governments:							
Ad valorem	45,924	-	-	-	-	-	45,924
Communication services	65,501	-	-	-	-	-	65,501
Grants	245,077	-	619,097	3,028	3,444	625,569	870,646
Other	88,465	-	-	-	-	-	88,465
Total due from other governments	<u>444,967</u>	<u>-</u>	<u>619,097</u>	<u>3,028</u>	<u>3,444</u>	<u>625,569</u>	<u>1,070,536</u>
Less Allowance for Doubtful Accounts	<u>(10,400)</u>	<u>(12,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,000)</u>	<u>(22,400)</u>
	<u>\$ 995,300</u>	<u>\$ 563,341</u>	<u>\$ 859,883</u>	<u>\$ 3,028</u>	<u>\$ 49,504</u>	<u>\$ 1,475,756</u>	<u>\$ 2,471,056</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. Capital Assets:

A. Changes in Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance, October 1, 2006, as restated	Additions	Dispositions	Transfers	Balance, September 30, 2007
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 1,405,937	\$ 1,569,151	\$ -	\$ -	\$ 2,975,088
Infrastructure	100,224,213	-	-	-	100,224,213
Construction in progress	363,068	174,131	-	(83,415)	453,784
Total capital assets not being depreciated	<u>101,993,218</u>	<u>1,743,282</u>	<u>-</u>	<u>(83,415)</u>	<u>103,653,085</u>
Capital assets being depreciated:					
Buildings and improvements	2,088,430	123,035	(691)	83,415	2,294,189
Infrastructure	42,295,383	25,767	-	-	42,321,150
Transportation equipment	1,573,009	247,658	(216,714)	-	1,603,953
Machinery and equipment	1,462,651	293,742	(41,458)	-	1,714,935
Total capital assets being depreciated	47,419,473	690,202	(258,863)	83,415	47,934,227
Accumulated depreciation	<u>(18,446,634)</u>	<u>(1,574,599)</u>	<u>258,863</u>	<u>-</u>	<u>(19,762,370)</u>
Capital assets being depreciated, net	<u>28,972,839</u>	<u>(884,397)</u>	<u>-</u>	<u>83,415</u>	<u>28,171,857</u>
Governmental activities – capital assets, net	<u>\$ 130,966,057</u>	<u>\$ 858,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,824,942</u>
Business-Type Activities:					
Capital assets not being depreciated:					
Land:					
Water and wastewater fund	\$ 444,238	\$ -	\$ -	\$ -	\$ 444,238
Stormwater utility fund	867	-	(867)	-	-
Medley lakeside retirement park fund	284,240	-	-	-	284,240
	<u>729,345</u>	<u>-</u>	<u>(867)</u>	<u>-</u>	<u>728,478</u>
Construction in progress:					
Water and wastewater fund	66,097	79,820	-	-	145,917
Stormwater utility fund	929,084	659,820	-	(1,446,622)	142,282
	<u>995,181</u>	<u>739,640</u>	<u>-</u>	<u>(1,446,622)</u>	<u>288,199</u>
Total capital assets not being depreciated	<u>1,724,526</u>	<u>739,640</u>	<u>(867)</u>	<u>(1,446,622)</u>	<u>1,016,677</u>
Capital assets being depreciated:					
Water, wastewater and stormwater utility systems:					
Water and wastewater fund	19,905,397	-	-	-	19,905,397
Stormwater utility fund	4,627,834	610	-	1,446,622	6,075,066
	<u>24,533,231</u>	<u>610</u>	<u>-</u>	<u>1,446,622</u>	<u>25,980,463</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. **Capital Assets – Continued:**

A. Changes in Capital Assets – Continued

	Balance, October 1, 2006	Additions	Dispositions	Transfers	Balance, September 30, 2007
Business-Type Activities – Continued:					
Buildings and improvements:					
Water and wastewater fund	578,896	-	(11,195)	-	567,701
Medley lakeside retirement park fund	299,623	-	-	-	299,623
Police gun range fund	167,255	-	-	-	167,255
	<u>1,045,774</u>	<u>-</u>	<u>(11,195)</u>	<u>-</u>	<u>1,034,579</u>
Transportation equipment:					
Water and wastewater fund	550,821	38,032	(25,899)	-	562,954
Stormwater utility fund	131,957	286,407	-	-	418,364
Medley lakeside retirement park fund	3,634	-	-	-	3,634
	<u>686,412</u>	<u>324,439</u>	<u>(25,899)</u>	<u>-</u>	<u>984,952</u>
Machinery and equipment:					
Water and wastewater fund	533,412	58,536	(26,313)	-	565,635
Stormwater utility fund	512,938	28,990	-	-	541,928
Medley lakeside retirement park fund	6,951	20,229	-	-	27,180
Police gun range fund	84,637	-	-	-	84,637
	<u>1,137,938</u>	<u>107,755</u>	<u>(26,313)</u>	<u>-</u>	<u>1,219,380</u>
Total capital assets being depreciated:					
Water and wastewater fund	21,568,526	96,568	(63,407)	-	21,601,687
Stormwater utility fund	5,272,729	316,007	-	1,446,622	7,035,358
Medley lakeside retirement park fund	310,208	20,229	-	-	330,437
Police gun range fund	251,892	-	-	-	251,892
	<u>27,403,355</u>	<u>432,804</u>	<u>(63,407)</u>	<u>1,446,622</u>	<u>29,219,374</u>
Accumulated depreciation:					
Water and wastewater fund	6,924,838	520,209	(38,227)	-	7,406,820
Stormwater utility fund	939,936	177,084	(867)	-	1,116,153
Medley lakeside retirement park fund	401,330	23,846	-	-	425,176
Police gun range fund	155,495	13,795	-	-	169,290
Total accumulated depreciation	<u>8,421,599</u>	<u>734,934</u>	<u>(39,094)</u>	<u>-</u>	<u>9,117,439</u>
Capital assets being depreciated, net	<u>18,981,756</u>	<u>(302,130)</u>	<u>(24,313)</u>	<u>1,446,622</u>	<u>20,101,935</u>
Business-type activities – capital assets, net	<u>\$ 20,706,282</u>	<u>\$ 437,510</u>	<u>\$ (25,180)</u>	<u>\$ -</u>	<u>\$ 21,118,612</u>

B. Depreciation Expense

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

Governmental Activities:	
General government	\$ 1,278,686
Public safety	194,294
Physical environment	10,625
Human services	36,338
Culture and recreation	54,656
Business-type Activities:	
Water and wastewater utility	520,209
Stormwater utility	177,084
Medley lakeside retirement park	23,846
Police gun range	13,795

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

6. Accounts Payable and Accrued Liabilities:

Accounts payable and accrued liabilities consist of the following at September 30, 2007:

	General Fund	Enterprise Funds					Total Enterprise	Total
		Water and Wastewater	Stormwater Utility	Lakeside Park	Police Gun Range			
Vendors	\$ 153,161	\$ 261,042	\$ 9,814	\$ 21,295	\$ 2,637	\$ 294,788	\$ 447,949	
Salaries and benefits	283,782	32,486	8,697	2,227	3,753	47,163	330,945	
Compensated absences	-	79,464	13,578	-	5,323	98,365	98,365	
Interest	-	29,500	-	-	-	29,500	29,500	
Pension	30,478	-	-	-	-	-	30,478	
Other	50,000	-	-	-	-	-	50,000	
DERM taxes	-	298,468	-	-	-	298,468	298,468	
	<u>\$ 517,421</u>	<u>\$ 700,960</u>	<u>\$ 32,089</u>	<u>\$ 23,522</u>	<u>\$ 11,713</u>	<u>\$ 768,284</u>	<u>\$ 1,285,705</u>	

7. Ad Valorem Tax Revenues:

The Town levied a millage rate of \$6.90 per \$1,000 of assessed value for the fiscal year 2007 and \$5.7513 for the fiscal year 2008. The County of Miami-Dade, Florida, bills and receives payments for all property taxes levied by the Town. Payments are then remitted to the Town.

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

8. Employee Benefit Plans:

A. Single Employer Defined Benefit Plans

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

- **General Employees Pension Plan:** The Town of Medley’s General Employees Pension Plan provides retirement benefits for substantially all full-time nonsworn police officers of the Town. General Employees Pension information in this note is provided as of the latest actuarial valuation, October 1, 2007.
- **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, 2006.

Actuarial valuations are performed annually. For additional information relating to investment policy, basis of accounting and reported investment values see Note 1.

(2) Memberships of the Plans are as follows:

	General Employees Pension Plan	Police Officers’ Retirement Plan	Total
Non-vested active members	9	6	15
Fully-vested active members	51	26	77
Retirees and beneficiaries currently receiving benefits	2	-	2
Terminated plan members entitled to but not yet receiving benefits	5	-	5
	<u>67</u>	<u>32</u>	<u>99</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

8. 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:

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

	<u>General Employees Pension Plan</u>	<u>Police Officers' Retirement Plan</u>
Provision for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Valuation date	October 1, 2007	October 1, 2006
Actuarial cost method	Aggregate	Aggregate
Amortization method	N/A	N/A
Amortization period	N/A	N/A
Actuarial asset valuation method	Fair market value	Fair market value
Actuarial assumptions:		
Investment rate of return	7%, pre-retirement, 6%, post-retirement	8%
Projected salary increases	Variable	Variable
Post retirement benefit increases	N/A	N/A
Inflation	3%	2.5%
Cost-of-living adjustments	Change in price index	Change in price index

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

8. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

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

	<u>General Employees Pension Plan</u>			<u>Police Officers' Retirement Plan</u>		
	<u>Annual Pension Costs</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (NPO)</u>	<u>Annual Pension Costs</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (NPO)</u>
Year Ended September 30,						
2007	\$1,061,492	141%	\$ (584,852)	\$1,228,102	98%	\$ 30,478
2006	980,260	148	(159,540)	1,137,698	100	-
2005	1,333,536	94	325,683	N/A	N/A	N/A
2004	993,786	65	251,655	N/A	N/A	N/A

(6) Reserves

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

B. Money Purchase Plan

All of the Town's full-time employees, except for sworn police officers, are required to participate in a money purchase plan and trust established under Section 401(a) of the Internal Revenue Code. The Town Council has designated The Standard Insurance Company ("Standard") as administrator of the plans, to hold the trust assets and to perform all non-discretionary functions necessary for the administration of the plans with respect to assets in the plans deposited with the trust.

The Town has established separate defined contribution plans for the General Employees, Town Executives and Town Council under Standard.

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

As of September 30, 2007, there were 75, 12 and 4 participants in the General Employee Plan, Executive Plan and Council Person Plan, respectively.

Funding Provisions – Participating plan members can voluntarily contribute a percentage of their annual compensation to the plans, and the Town is required to match such contributions. The Town matching contributions are 14% for the General Employee and Executive plans and 19% for the Council Pension plan, regardless of employee contributions.

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

<u>Years of Service</u>	<u>General Employee</u>	<u>Executive</u>	<u>Council Person</u>
Less than 1 year of service	0%	100%	0%
1 year but less than 2	20%	100%	25%
2 years but less than 3	40%	100%	50%
3 years but less than 4	60%	100%	75%
4 years but less than 5	80%	100%	100%
5 years or more	100%	100%	100%

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

8. 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 after 10 years credited service for employees and executives and 10 years participation by Council persons.

During the year, the Town contributed \$231,449, \$137,641, and \$26,590, respectively, to the General Employee, Executive and Council Person plans.

C. Deferred Compensation Plan

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

9. Operating Leases:

As Lessor – The Town operates a police gun range which is available for rent to other law enforcement agencies in the area on a day-to-day basis. In the fiscal year ended September 30, 2007, the Town received \$288,181 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 a yearly basis. Tenants of the mobile home park are required to be qualified low-income individuals. In the fiscal year ended September 30, 2007, the Town received \$155,212 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. The lease agreement provides for rental increases in years 6 through 20 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):

Year Ending September 30,	Minimum Lease Payments	Estimated Contingent Rentals	Estimated Total Amount
2008	\$ 60,000	\$ 32,117	\$ 92,117
2009	30,000	17,440	47,440
	<u>\$ 90,000</u>	<u>\$ 49,557</u>	<u>\$ 139,557</u>

Total fiscal 2007 rental expenditures under the ground lease were \$92,141 including \$32,141 of contingent rentals. Total rents under all operating leases, including short-term, month-to-month rentals, were \$127,818 for the year ended September 30, 2007.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

10. Long-Term Obligations:

A. Governmental Fund Type Long-Term Obligation:

Changes in governmental fund type long-term obligation for the year ended September 30, 2007 are as follows:

	Balance, October 1, 2006	Additions	Reductions	Balance, September 30, 2007
Notes payable	\$ -	\$ 200,407	\$ 70,000	\$ 130,407
Compensated absences	926,568	-	5,855	920,173
	<u>\$ 926,568</u>	<u>\$ 200,407</u>	<u>\$ 75,855</u>	<u>\$ 1,051,120</u>

Summary of debt service requirements to maturity for note payable:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ -	\$ -
2009	60,871	9,129	70,000
2010	69,536	4,172	73,708
	<u>\$ 130,407</u>	<u>\$ 13,301</u>	<u>\$ 143,708</u>

Compensated absences are not included in the above table as the maturities are indeterminable.

Description of Governmental Fund Type Long-Term Obligations:

Note Payable, Florida East Coast Railway, LLC, interest of 6% per annum, payable in annual principal and interest payments of 70,000 through October 2009 when the balance becomes due, uncollateralized	<u>\$ 130,407</u>
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B. Proprietary Fund Type Long-Term Obligation

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

Changes in proprietary fund type long-term obligation for the year ended September 30, 2007 are as follows:

	Balance, October 1, 2006	Additions	Reductions	Balance, September 30, 2007
Notes payable	\$ 1,531,724	\$ -	\$ 202,549	\$ 1,329,175
Capital leases	-	206,233	-	206,233
	<u>\$ 1,531,724</u>	<u>\$ 206,233</u>	<u>\$ 202,549</u>	<u>\$ 1,535,408</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

10. Notes Payable – Continued:

Description of Proprietary Fund Type Long-Term Obligations:

Note Payable – Riverside National Bank, interest of 4.95% per annum, payable in semiannual principal and interest payments of \$28,101 on March 10 and September 10 through March 10, 2009 when the balance matures; uncollateralized	\$ 83,574
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.7% per annum (Phase 1) and 2.8% per annum (Phase 2) compounded monthly, payable in semiannual principal and interest payments of \$43,025 on November 15 and May 15 through May 15, 2024; uncollateralized	1,161,698
Note Payable – Riverside National Bank, interest of 4.2% per annum, payable in semiannual principal and interest payments of \$29,142 on June 30 and December 30 through December 30, 2008 when the loan matures; uncollateralized	83,903
Capital Lease – Master equipment lease, 1 st Source Bank, monthly payments of \$4,702 including interest at 4.69% through October 2011, collateralized by underlying equipment	<u>206,233</u>
	<u>\$ 1,535,408</u>

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

<u>Fiscal Year</u>	<u>Proprietary Fund Type</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2008	\$ 206,667	\$ 45,592	\$ 252,259
2009	165,347	37,669	203,016
2010	109,931	32,544	142,475
2011	113,932	28,543	142,475
2012	65,385	25,368	90,753
2013 – 2017	329,726	100,529	430,255
2018 – 2022	378,088	52,167	430,255
2023 – 2024	<u>166,332</u>	<u>5,770</u>	<u>172,102</u>
	<u>\$ 1,535,408</u>	<u>\$ 328,182</u>	<u>\$ 1,863,590</u>

The present value of future minimum lease payments under the capital lease at September 30, 2007 is as follows:

Total payments required	\$ 225,696
Less amount representing interest	<u>(19,463)</u>
Present value of future minimum lease payments	<u>\$ 206,233</u>

Equipment under the capital lease is \$171,075 and is included in capital assets. No depreciation has been recorded at September 30, 2007.

C. Disclosure of Legal Debt Margin

The Town has no legal debt margin requirements set forth by either State Statute or Town Ordinance.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

11. Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained insurance from commercial underwriters for all the aforementioned risks, including workers' compensation for the year ended September 30, 2007.

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 13(D).

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

12. Other Post-Employment Benefits:

In addition to pension benefits described in Note 8, the Town provides post-employment benefit options for health care, life insurance, dental insurance, and disability income 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 funds the benefits on a pay-as-you-go basis. 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. During fiscal year 2007, expenses of \$28,216 were recognized for post-employment benefits. There are four participants currently eligible. The Governmental Accounting Standards Board issued two new standards relating to other post-employment benefits which the Town has not early implemented. Management plans to contract with an actuarial firm to assist in evaluating the impact of these new standards on the Town and planning for implementations.

13. Commitments and Contingencies:

A. Litigation and Other Matters:

During the ordinary course of its operations, the Town is party to various claims, legal actions, complaints and IRS examinations. 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:

The Town has retained an engineering firm to oversee the development and implementation of a master plan for stormwater management. The installation of stormwater drainage systems in accordance with the master plan is an ongoing process. The Town has identified 8 to 10 projects estimated to cost \$12 million in 2007 dollars.

C. Mitigation with Miami-Dade County and Annexation:

In connection with certain land annexed to the Town in previous years, an annual payment for mitigation is due to Miami-Dade County. The annual payment is calculated by taking 95% of the certified taxable value of the annexed land times the millage rate stated in the annexation agreement. Additionally, the Town pays an allocated portion of the debt service of the county's stormwater utility bond payment as related to the annexed lands. For the year ended September 30, 2007, these payments totaled \$488,478 and \$5,873, respectively.

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.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

13. Commitments and Contingencies – Continued:

D. Grant Expenditures:

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

14. 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, 2007 were:

Fund:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General fund	\$ 2,115,427	\$ 19,265
Special revenue fund	-	11,646
Enterprise funds:		
Water and wastewater fund	18,932	1,875,290
Stormwater utility fund	-	239,844
Medley lakeside retirement park fund	-	7,579
Police gun range fund	<u>19,265</u>	<u>-</u>
	<u>\$ 2,153,624</u>	<u>\$ 2,153,624</u>

Interfund balances are used as short-term financing of cash flow shortfalls. A portion of the interfund balance between the general fund and the water and wastewater fund is an advance as described in Note 14(B).

Interfund operating transfers for the year ended September 30, 2007 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Stormwater utility fund	\$ -	\$ 90,000
Medley lakeside retirement park fund	<u>-</u>	<u>160,000</u>
	<u>-</u>	<u>250,000</u>
Stormwater Utility Fund:		
General fund	<u>90,000</u>	<u>-</u>
	<u>90,000</u>	<u>-</u>
Medley Lakeside Retirement Park Fund:		
General fund	<u>160,000</u>	<u>-</u>
	<u>160,000</u>	<u>-</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

14. Other Required Individual Fund Disclosures – Continued:

A. Interfund Transactions and Balances – Continued

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

B. Long-Term Interfund Balance

A promissory note for \$2,000,000 was issued between the Town’s general fund and its water and wastewater fund with an interest rate of 2.89%. Monthly payments of principal and interest were originally due until December 31, 2007. The note was refinanced effective May 1, 2007 at an interest rate of 4%. Quarterly payments of principal and interest of \$65,799 are due until maturity in July 2014. The balance of this advance at September 30, 2007 was \$1,550,201.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 204,226	\$ 58,970	\$ 263,196
2009	212,519	50,677	263,196
2010	221,148	42,048	263,196
2011	230,127	33,069	263,196
2012	239,471	23,725	263,196
2013 – 2017	<u>442,710</u>	<u>17,885</u>	<u>460,595</u>
	<u>\$ 1,550,201</u>	<u>\$ 226,374</u>	<u>\$ 1,776,575</u>

15. Fund Balance:

The Town’s fund balances are as follows at September 30, 2007:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Reserved for advances to enterprise funds	\$ 1,550,201	\$ -	\$ 1,550,201
Reserved for law enforcement	390,148	-	390,148
Reserved for transportation	157,954	-	157,954
Reserved for prepaid expenditures	749,345	-	749,345
Reserved for Foundation activities	-	97,399	97,399
Total reserved	<u>2,847,648</u>	<u>97,399</u>	<u>2,945,047</u>
Unreserved:			
Designated for:			
Municipal service complex	3,500,000	-	3,500,000
Pension	2,200,000	-	2,200,000
Working capital	2,400,000	-	2,400,000
Emergency management	400,000	-	400,000
Continuing education for health awareness	100,000	-	100,000
Total designated	<u>8,600,000</u>	<u>-</u>	<u>8,600,000</u>
Unreserved/undesignated	<u>3,969,434</u>	<u>-</u>	<u>3,969,434</u>
Total fund balance	<u>\$ 15,417,082</u>	<u>\$ 97,399</u>	<u>\$ 15,514,481</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

16. Subsequent Events:

A. The Town Council took the following actions in meetings subsequent to September 30, 2007:

- Approved a \$7.5 million loan from Bank United for construction of a municipal services facility.
- Approved a contract for construction of a municipal services facility for \$10.5 million.
- Approved a real estate agreement to purchase property for pools and recreation for \$186,000.
- Approved a water drainage and paving improvement project for approximately \$484,000.

B. Pension Trust Funds:

Subsequent to year end, the stock market experienced declines averaging 9% for the funds in which pension assets are invested. This decline could have a material future impact on the Town's annual required contribution and the fiscal year 2008 funding may be less than it would be if the market declines were taken in to account.

C. Property Tax Amendment:

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000-\$75,000), except for school district taxes. The Town of Medley, Florida does not have a significant residential tax base.

With respect to non-homestead property, Amendment 1 limits the annual increase in assessed value for businesses and industrial property, rental property, second homes, etc. to ten percent, except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 becomes effective on October 1, 2008, with the exception of the ten percent assessment cap on non-homestead property which becomes effective on January 1, 2009.

Based on information received from the Miami-Dade Property Appraiser's Office, the estimated annual loss of property tax revenues for the Town of Medley will be approximately \$125,000 annually.

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, 2007

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 10,187,749	\$ 10,580,753	\$ 393,004
Franchise fees and utility taxes	3,860,000	3,178,758	(681,242)
Intergovernmental	500,000	1,319,225	819,225
Licenses, permits and fees	500,000	1,032,989	532,989
Fines and forfeitures	75,000	148,807	73,807
Miscellaneous	250,000	955,764	705,764
Total revenues	<u>15,372,749</u>	<u>17,216,296</u>	<u>1,843,547</u>
Expenditures:			
Current operating:			
General government	6,803,020	6,733,044	(69,976)
Public safety	4,283,075	4,225,168	(57,907)
Physical environment	826,239	862,781	36,542
Human services	653,208	694,143	40,935
Culture and recreation	826,354	644,306	(182,048)
Capital outlay	9,790,000	2,433,484	(7,356,516)
Debt service	307,000	70,000	(237,000)
Total expenditures	<u>23,488,896</u>	<u>15,662,926</u>	<u>(7,825,970)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,116,147)</u>	<u>1,553,370</u>	<u>9,669,517</u>
Other Financing Sources (Uses):			
Proceeds from issuance of debt	7,500,000	200,407	(7,299,593)
Operating transfers-out	(262,555)	(250,000)	12,555
Total other financing sources (uses)	<u>7,237,445</u>	<u>(49,593)</u>	<u>(7,287,038)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(878,702)	1,503,777	2,382,479
Fund Balances, Beginning of Year, as restated	<u>12,986,738</u>	<u>13,913,305</u>	<u>926,567</u>
Fund Balances, End of Year	<u>\$ 12,108,036</u>	<u>\$ 15,417,082</u>	<u>\$ 3,309,046</u>

TOWN OF MEDLEY, FLORIDA

DEFINED BENEFIT PENSION TRUST FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2007

A. Schedules of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Present Value of Accrued Benefits (PVAB) (b)	Unfunded PVAB (UPVAB) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UPVAB as a % of Covered Payroll (b-a)/c
<u>General Employees Pension Fund:</u>						
October 1, 2007	\$ 4,631,754	\$ 9,248,046	\$ 4,616,292	50.1%	\$ 1,621,724	284.7%
October 1, 2006	2,846,159	7,203,703	4,357,544	39.5%	1,958,983	222.4%
October 1, 2005	1,319,640	5,963,984	4,644,344	22.1%	1,591,156	291.9%
October 1, 2004	978,924	6,523,771	5,544,847	15.0%	3,243,553	170.9%
October 1, 2003	350,000	4,704,798	4,354,798	7.4%	3,197,718	136.2%
April 1, 2003	-	2,286,655	2,286,655	-%	3,222,256	71.0%
<u>Police Officers' Retirement Fund:</u>						
October 1, 2006	\$ 2,275,247	\$ 6,415,106	\$ 4,139,859	35.5%	\$ 1,885,844	219.5%
October 1, 2005	-	6,142,903	6,142,903	-%	1,557,097	394.5%

B. Schedules of Employer Contributions:

	Required Contribution	Percentage Contributed	Net Pension Obligation
<u>General Employees Pension Fund:</u>			
From October 1, 2006 through September 30, 2007	\$ 1,061,492	141%	\$ (584,952)
From October 1, 2005 through September 30, 2006	980,260	148%	(159,540)
From October 1, 2004 through September 30, 2005	1,333,536	94%	325,683
From October 1, 2003 through September 30, 2004	993,786	65%	251,655
From April 1 through September 30, 2003	248,571	100%	-
<u>Police Officers' Retirement Fund:</u>			
From October 1, 2006 through September 30, 2007	\$ 1,228,102	98%	\$ 30,478
From October 1, 2005 through September 30, 2006	1,137,698	100%	-

C. Notes to Required Supplementary Information:

	<u>General Employees Pension Fund</u>	<u>Police Officers' Retirement Fund</u>
Valuation date	October 1, 2007	October 1, 2006
Actuarial cost method	Aggregate	Aggregate
Amortization method	N/A	N/A
Amortization period	N/A	N/A
Actuarial asset valuation method	Fair market value	Fair market value
Actuarial assumptions:		
Investment rate of return	7%, pre-retirement, 6%, post-retirement	8%
Projected salary increases	Variable	Variable
Inflation	3%	2.5%
Cost-of-living adjustments	Change in price index	Change in price index

OTHER PROPRIETARY FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises or where the Town has decided that periodic determination of net income is appropriate for capital maintenance, management control, accountability, public policy, or other purposes.

Medley Lakeside Retirement Park Fund

Used to account for the Town's operation of a low-income mobile home park.

Police Gun Range Fund

Used to account for the operations of the Town's police gun range.

TOWN OF MEDLEY, FLORIDA
OTHER PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS

September 30, 2007

ASSETS	<u>Medley Lakeside Retirement Park Fund</u>	<u>Police Gun Range Fund</u>	<u>Total Other Proprietary Funds</u>
Current Assets:			
Cash and cash equivalents	\$ 3,787	\$ 68,289	\$ 72,076
Investments	-	50,000	50,000
Receivables, net	3,028	49,504	52,532
Due from other funds	-	19,265	19,265
Prepaid expenses	<u>7,617</u>	<u>-</u>	<u>7,617</u>
Total current assets	14,432	187,058	201,490
Capital Assets, net	<u>189,501</u>	<u>82,602</u>	<u>272,103</u>
TOTAL ASSETS	<u>203,933</u>	<u>269,660</u>	<u>473,593</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	23,522	6,390	29,912
Due to other funds	7,579	-	7,579
Compensated absences	<u>-</u>	<u>5,323</u>	<u>5,323</u>
TOTAL CURRENT LIABILITIES	<u>31,101</u>	<u>11,713</u>	<u>42,814</u>
NET ASSETS			
Investment in Capital Assets, net of related debt	189,501	82,602	272,103
Unrestricted	<u>(16,669)</u>	<u>175,345</u>	<u>158,676</u>
TOTAL NET ASSETS	<u>\$ 172,832</u>	<u>\$ 257,947</u>	<u>\$ 430,779</u>

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

Year Ended September 30, 2007

	<u>Medley Lakeside Retirement Park Fund</u>	<u>Police Gun Range Fund</u>	<u>Total Other Proprietary Funds</u>
Operating Revenues:			
User charges	\$ 155,212	\$ 288,181	\$ 443,393
Miscellaneous other	120	-	120
Total operating revenues	<u>155,332</u>	<u>288,181</u>	<u>443,513</u>
Operating Expenses:			
Salaries, wages and employee benefits	52,237	137,007	189,244
Contractual services, materials, and supplies	243,268	167,867	411,135
Depreciation and amortization	<u>23,846</u>	<u>13,795</u>	<u>37,641</u>
Total operating expenses	<u>319,351</u>	<u>318,669</u>	<u>638,020</u>
Operating Loss	<u>(164,019)</u>	<u>(30,488)</u>	<u>(194,507)</u>
Non-Operating Revenues:			
Grants	3,028	3,444	6,472
Insurance proceeds	-	68,649	68,649
Interest income	<u>936</u>	<u>9,432</u>	<u>10,368</u>
Total non-operating revenues	<u>3,964</u>	<u>81,525</u>	<u>85,489</u>
Income (Loss) Before Other Revenues and Operating Transfers	<u>(160,055)</u>	<u>51,037</u>	<u>(109,018)</u>
Other Revenues and Operating Transfers:			
Operating transfers-in	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total other revenues and operating transfers	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Net Income (Loss)	(55)	51,037	50,982
Net Assets, Beginning of Year	<u>172,887</u>	<u>206,910</u>	<u>379,797</u>
Net Assets, End of Year	<u>\$ 172,832</u>	<u>\$ 257,947</u>	<u>\$ 430,779</u>

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

Year Ended September 30, 2007

	<u>Medley Lakeside Retirement Park Fund</u>	<u>Police Gun Range Fund</u>	<u>Total Other Proprietary Funds</u>
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 155,437	\$ 289,295	\$ 444,732
Payments to suppliers	(228,461)	(169,006)	(397,467)
Payments to employees	(52,237)	(135,442)	(187,679)
Other receipts	120	-	120
Net cash used in operating activities	<u>(125,141)</u>	<u>(15,153)</u>	<u>(140,294)</u>
Cash Flows From Noncapital Financing Activities:			
Operating transfers from other funds	160,000	-	160,000
Proceeds from insurance claim	-	68,649	68,649
Change in due from/to other funds	(34,586)	(97,880)	(132,466)
Net cash provided by (used in) noncapital financing activities	<u>125,414</u>	<u>(29,231)</u>	<u>96,183</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(20,229)	-	(20,229)
Net cash used in capital and related financing activities	<u>(20,229)</u>	<u>-</u>	<u>(20,229)</u>
Cash Flows From Investing Activities:			
Purchase of investment	-	(50,000)	(50,000)
Interest income received	936	9,432	10,368
Net cash provided by (used in) investing activities	<u>936</u>	<u>(40,568)</u>	<u>(39,632)</u>
Net Increase in Cash and Cash Equivalents	(19,020)	(84,952)	(103,972)
Cash and Cash Equivalents, Beginning of Year	<u>22,807</u>	<u>153,241</u>	<u>176,048</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,787</u>	<u>\$ 68,289</u>	<u>\$ 72,076</u>
Recorded in Balance Sheet as:			
Unrestricted	\$ 3,787	\$ 68,289	\$ 72,076
Restricted	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,787</u>	<u>\$ 68,289</u>	<u>\$ 72,076</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:			
Operating loss	\$ (164,019)	\$ (30,488)	\$ (194,507)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization	23,846	13,795	37,641
Changes in:			
Receivables	225	1,114	1,339
Prepaid expenses	(222)	-	(222)
Accounts payable and accrued liabilities	15,029	(1,139)	13,890
Compensated absences	-	1,565	1,565
Net Cash Used in Operating Activities	<u>\$ (125,141)</u>	<u>\$ (15,153)</u>	<u>\$ (140,294)</u>

SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION



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

Honorable Mayor and Town Council
Town of Medley, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Medley, Florida, as of and for the year ended September 30, 2007, which collectively comprise the Town of Medley, Florida's basic financial statements and have issued our report thereon dated June 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Medley, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Medley, Florida internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Medley, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Town of Medley, Florida's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses (items B3, C2, C6, D1, D2, E, F, H1) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Medley, Florida's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, a number of the significant deficiencies described above, we consider to be material weaknesses (items C2, C6, D1 and H1).

Honorable Mayor and Town Council
Town of Medley, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Medley, Florida'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*.

We noted certain matters that we have reported to the management of Town of Medley, Florida, in the accompanying schedule of findings and responses.

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

This report is intended solely for the information and use of the Town of Medley, Florida, its management and specified legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Aurett Warmus Durkee

June 26, 2008



AVERETT
WARMUS
DURKEE

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Independent Auditors' Report on Compliance with Requirements Applicable to
Each Major Federal Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

Honorable Mayor and Town Council
Town of Medley, Florida

Compliance

We have audited the compliance of the Town of Medley, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The Town of Medley, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Medley, Florida's management. Our responsibility is to express an opinion on the Town of Medley, Florida's compliance based on our audit.

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

In our opinion, the Town of Medley, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

Honorable Mayor and Town Council
Town of Medley, Florida

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency in internal control over compliance to be a significant deficiency and a material weakness:

We noted that, due to the small size of the entity, there is a lack of segregation of duties in the accounting, administrative and financial reporting functions. The involvement of the Mayor and Town Council in the operations of the Town helps mitigate this condition. Two signatures are required for disbursements and the Town Council approves the annual budget.

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

This report is intended solely for the information and use of the Town of Medley, Florida, its management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Aurett Warmus Durkee

June 26, 2008

TOWN OF MEDLEY, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2007

Federal Agency, Pass-Through Entity, Federal Program	CFDA/ Number	Contract Number	Total Expenditures
Department of Homeland Security:			
Disaster Grants – Public Assistance:			
Disaster No. FEMA-1609-DR-FL – Hurricane Wilma	97.036	06-WL-&K-11-23-02-601	\$ <u>568,176</u>
Total major federal programs			\$ <u><u>568,176</u></u>

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

TOWN OF MEDLEY, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2007

I. Summary of Auditors' Results:

1. Financial Statements:

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

2. Federal Awards Programs:

- | | | |
|----|--|--|
| a. | Internal control over federal programs: | |
| 1) | Material weaknesses identified? | Yes |
| 2) | Significant deficiencies identified not considered to be material weaknesses | None reported |
| b. | The type of auditors' report issued on compliance for federal awards programs | Unqualified |
| c. | Any audit findings that are required to be reported under Circular A-133 (section 510(a))? | No |
| d. | Identification of major programs | Department of Homeland Security, Disaster Grants – Public Assistance: 97.036 |
| e. | Dollar threshold used to distinguish between Type A projects | \$300,000 |
| f. | Qualify as low risk auditee? | No |

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

None

III. Findings and Questioned Costs for Federal Awards Programs:

None

IV. Summary Schedule of Prior Audit Findings:

None

TOWN OF MEDLEY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES

A. Fees, Licenses and Permit Items:

Findings:

We noted there are a significant amount of manual calculations in the fees, licenses and permit processes. In addition, there is a lack of supervisory review in the process. We tested five of each type of fee, license and permit and noted the following:

1. Radon gas fees are not being calculated in accordance with Florida Statute 553.721. In addition, the reconciliation process from the general ledger to the quarterly report filed with the State of Florida is not documented and reports are not filed timely.
2. We noted that one occupational license was issued and subsequent to issuance, the business classification was changed but the revised fee was neither billed or collected from the customer.
3. We noted the same type errors and lack of supervisory review and reconciliation in the permitting area.
4. In two instances out of five selected, we noted that a business did not have an occupational license with the Town.
5. Subsidiary ledgers for permitting and licensing function do not interface with the general ledger. Reports can not be generated that reconcile amounts recorded in the general ledger to amounts recorded by the permitting and licensing department. Additionally, in 7 instances, system numbered documents were absent from the licensing report generated without explanation.

Recommendation:

We recommend the Town implement a standard review process for all licenses and permits issued as well as required reporting for certain fees collected. We recommend a system which allows interface between the permitting and licensing function and the financial reporting function. Additionally, we recommend that the code enforcement department vigorously pursue physical businesses in the Town who may not have licenses.

Management's Response:

Many of the errors occur in these areas because of a shortage of personnel. At present, the Town does not have the physical facilities to hire additional persons to man these departments. There are no work stations available. A new Town Hall is being built, which when completed will provide the additional facilities needed to hire more personnel.

A more standard review process has been implemented for the reporting requirements described above so that reports will be filed accurately, in a timely manner and reconciled to the general ledger.

A new business tax receipt (occupational license) program has been implemented. This program has the ability to interface with the financial reporting function. The fiscal year ended September 30, 2007, was the first year that the business tax receipt program was in use. Additional training for department personnel is scheduled so that errors will be minimized.

A new automated permitting program has been purchased. Implementation was delayed because of the desire to simplify our permitting fee structure. This was not done. It has now been decided that the existing permit fee schedule should be entered into the new software. Implementation and training is now in process. The new program will eliminate the mathematical calculation errors which have occurred.

The code enforcement department is short two persons. Additional staff will be hired after the completion of the new town hall.

B. Payroll and Compensated Absence Items:

Findings:

We tested fifteen payroll related disbursements and noted the following:

1. Certain required documentation (drug-free workforce form in 1 instance) was not present in the employee's personnel file.
2. The Town does not have a written policy concerning employees who take home Town vehicles nightly or who have Town issued cell phones.
3. The Town's comp-time earning procedures appear to be arbitrary and not very well documented.
4. The Town's payroll service company does not have an internal controls audit performed annually.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

B. Payroll and Compensated Absence Items – Continued:

Recommendation:

We recommend that the Town form a task force of department heads, including the Town Attorney, Finance Director and Town Clerk, and review the policies in the payroll process. We recommend comprehensive employee benefit policies and procedures be drafted and presented to the Town Council for review and approval. We further recommend that the Town consider changing payroll service organizations to one whose controls have been evaluated.

Management's Response:

Certain documentation required to be completed in personnel files, under Town policies, is not required under union contract. There are some police officers' who believe their union contract does not require them to sign this form (drug-free workforce form). However, the union contract does address the drug free workforce issue. Reconciliation between Town policies and the union contract will be attempted at the next collective bargaining process.

The Town's policy on take home vehicles for non sworn police officers' is that personal use of take home vehicles will be taxed and reported as personal income. This same policy is in force for all Town issued cell phones.

Policies and procedures are in place which requires that the reasons for working over-time and/or earning compensatory time be documented. Management believes that documentation has improved and steps have been taken to limit over-time worked to only special projects and events and as required. This does not minimize the fact that management also believes that the workforce is understaffed and over-time is necessary to carry on Town business.

The Town has used the same payroll service company for many years. We have requested the company provide us with an internal control audit report. Nothing has been received. As a result, the Town has contracted with a new payroll service company which will provide a SAS 70 report.

The Town Attorney is working with our outside labor counsel to review and update Town policies and procedures. Reconciliation will be made with all union contracts where possible.

C. Other Internal Control Items:

1. Travel and Entertainment Reimbursements:

Finding:

- a. The Town does not consistently require use of a standardized form for employees to report travel and other expenses made by them on behalf of the Town, nor does the Town have supervisory review over these types of items.
- b. In several instances there was no supporting documentation for amounts claimed for reimbursement.
- c. In one instance, cash was given to residents during a Town sponsored function, which is not a recommended practice.

Recommendation:

We recommend that all employees use a standardized form and that all employees' expense reports be reviewed and approved prior to reimbursement.

TOWN OF MEDLEY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

C. Other Internal Control Items – Continued:

1. Travel and Entertainment Reimbursements – Continued:

Management's Response:

The Town has a standardized form for all employee reimbursements and it is substantially being used. However, if proper detail documentation is forwarded to the accounting department, without the standardized form attached, reimbursement will not be delayed or denied.

All employee reimbursement requests must have supporting documentation. If certain supporting documentation such as a parking receipt is misplaced, an employee will still be reimbursed. The expense must be valid and the employee must sign a voucher.

Cash was given to residents at one Town sponsored function to allow them to purchase food. This was an isolated incident and will not be allowed again.

2. Disaster Recovery:

Finding:

The Town does not have a formal disaster recovery plan established.

Recommendation:

We recommend that the Town implement a written disaster recovery plan.

Management's Response:

Town employees have been trained in disaster recovery. A disaster recovery plan has been prepared but has not been formally adopted.

The Town is in compliance with the National Incident Management Systems (NIMS).

3. Grant Administration:

Finding:

The Town does not have a centralized grant administration and reconciliation function.

Recommendation:

We recommend the Town appoint an individual to be responsible for grant administration including accumulation of data, reimbursement request, reconciliation, and financial reporting.

Management's Response:

Management is not prepared to have a centralized grant administrator. As it currently stands, each originating department assigns a person to administrator the grant. The finance department is responsible to compile the information for financial reporting purposes.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

C. Other Internal Control Items – Continued:

4. Centralized Purchasing:

Finding:

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

Recommendation:

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

Management's Response:

Management has considered a centralized purchasing function but has not acted upon it. Lack of workspace and concerns over the effectiveness of that position has precluded the hiring of someone. Management also believes that the cost may exceed the benefits derived.

The purchasing of items by individuals on behalf of the Town is discouraged. However, there have been instances where it could not be avoided. These purchases were properly authorized.

5. Cash Receipts:

Findings:

The Town receives cash payments and there are little to no controls over cash receipts and the safeguarding of cash payments.

Recommendation:

We recommend the Town implement a centralized cash register system which interfaces with the financial reporting function

Management's Response:

A centralized cash register system is being considered. During the year the Town implemented new accounting, utilities and business tax receipts software. Other new software, including a centralized cash receipts system has been purchased but not implemented. Partial implementation will take place in 2008.

6. Segregation of Duties:

Findings:

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

Recommendation:

The involvement of the Mayor 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.

Management's Response:

Management acknowledges that there is a lack of segregation of certain duties. Due to the small size of the town, management believes that it is not cost effective to hire additional personnel just to segregate certain tasks. In addition, until the new Town Hall is completed, the space required to hire additional staff does not exist.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

D. Capital Asset Items:

Findings:

1. The Town does not maintain a complete inventory of Town assets nor are periodic or annual inventories taken for reconciliation purposes.
2. Within the Town limits, various water and wastewater infrastructure has been and is being constructed by developers of property. The Town does not have title to all of the completed infrastructure.

Recommendation:

We recommend that the Town acquire computer software to record and track both infrastructure and other capital assets. Additionally, the Town should continue to vigorously pursue the conveyance of completed Town infrastructure constructed by third parties.

Management's Response:

The Town has hired an appraisal company and engineer firm to inventory all capital assets and infrastructure. New computer software purchased by the Town will allow us to maintain this fixed asset and infrastructure inventory for reporting, insurance and maintenance purposes.

The Town's attorney, with help from outside legal counsel, is vigorously pursuing the conveyance and title to all infrastructure and right of ways.

E. Water and Wastewater Utility Items:

Findings:

There has been a noticeable improvement over the past three years in the rate of loss between water purchased and water sold. The rate of loss has decreased from a high of over 40% to 23% for the year ended September 30, 2007.

Recommendation:

We still believe that a loss of 23% is material and has a significant financial impact on the Town. We recommend that the Town continue its efforts to find the causes of this problem. We also recommend that the Town implement a system to reduce the amount of manual adjustments to the billing system.

Management's Response:

The water loss reduction program is a multi-year program. Significant improvements have been made so that the water losses have decreased from 40% to 23%. It is the Town's goal to further reduce water losses to less than 10%.

New utility billing software has reduced the number of billing adjustments.

F. Stormwater Utility Items:

Finding:

The Town's documentation for the impervious area and ERU's on which the customer billing is based are not in accordance with the Town's ordinance and corresponding resolution. In some cases, the Town's database is incomplete and/or does not agree with Miami-Dade County information.

Recommendation:

We recommend that the Town properly document the basis for the utility charge on all affected parcels.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

F. Stormwater Utility Items – Continued:

Management's Response:

In 1999, the Town took over stormwater management from Miami-Dade County for all areas within its municipal boundaries. Initially, pervious and impervious areas and ERU measurements were taken from County records. Since 1999, land use for many locations changed. Because of that and other compliance reasons a consultant was hired to measure the impervious area and calculate the ERU's for all properties within municipal boundaries. Corrections recommended have been implemented. The review is a multi-year task and should be completed in 2009.

G. Benefit Plan Items:

Finding:

1. The Town has substantial non-compliance with participant loans in its 401(a) plans.
2. The administration for the General Employee Pension has erroneous data for several participants related to in-service dates. These dates are the basis for the annual required contributions and the actuarial report.

Recommendation:

We recommend the Town take immediate corrective action regarding the participant loan program. We further recommend that all pension participant data as recorded by the administrator be verified.

Management's Response:

Many employees have fallen behind and or defaulted on their defined contribution pension loans. The Town has offered a one-time opportunity to bring their accounts current by (1) writing a check for the full past due amount, (2) if available, re-apply for a new loan that will cover all past due payments, as well as, the outstanding principal and agree to initiate payroll deductions on the new balance, and (3) terminate the loan at which time the outstanding balance will be treated as a taxable distribution. By September 30, 2008 all such loans will be cured by one of the methods stated above.

In the original upload of the data, the Finance Director used the hire date as the in-service eligibility date. Certain participants' hire date was not their service date. These employees were originally hired as part-time and therefore not eligible until they were converted to full-time. All corrections to in-service pension eligibility dates have been made.

H. Financial Reporting:

Finding:

1. The Town had material journal entries to record general capital assets and general long-term obligations.
2. Balance sheet account reconciliations are not prepared and reviewed on a period close basis.

Recommendation:

We recommend the Town hire or develop an accounting assistant to help the finance director.

Management's Response:

New financial accounting software purchased and implemented August through October 2007 have corrected these deficiencies.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

I. Information Technology:

1. IT personnel functions are not separated between computer programming and computer operations, nor are the positions rotated periodically.
2. Copies of system backup of programs, master files and transactions are not periodically read to ensure the files are usable.

Recommendation:

We recommend management explore the costs and benefits of developing an in house IT department.

Management's Response:

The IT person is an outside consultant who has worked with the Town for many years. Many of the operating and accounting programs were written by him. As discussed above, new computer software for all functions have been purchased and implementation in process. All programs have been purchased from third party vendors.

System backup programs and master files and transactions will be periodically reviewed.

TOWN OF MEDLEY, FLORIDA
PRIOR YEAR RECOMMENDATIONS AND OTHER MATTERS

Prior Year Recommendations:

Prior Year Recommendation	Current Year Status
1. Fees, licenses and permit items	Partially implemented
2. Payroll and compensated absence items	Partially implemented
3. Other internal control items	Partially implemented
4. Capital asset items	Not implemented
5. Water and wastewater utility items	Partially implemented
6. Stormwater utility items	Partially implemented

Other Matters:

In accordance with the Rules of the Auditor General of the State of Florida, the following is noted:

1. There were no irregularities disclosed in the preceding audit report.
2. The financial report filed with the Department of Financial Services pursuant to Florida Statutes Section 218.32 is in agreement with the annual financial audit report for the year ended September 30, 2007.
3. Based on our audit procedures performed, no indication came to our attention that caused us to believe that the Town of Medley, Florida met any of the conditions described in Florida Statutes Section 218.503(1).
4. The Town of Medley, Florida 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.
5. Based on our audit procedures performed, the Town of Medley, Florida is in compliance with Florida Statutes Section 218.415 regarding the investment of public funds.
6. The auditors applied financial condition assessment procedures per Auditor General Rule 10.556(8). It is management's responsibility to monitor Town of Medley, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of information provided by same.