

TOWN OF MEDLEY, FLORIDA
FINANCIAL SECTION AND
SUPPLEMENTARY FINANCIAL REPORTS
COMPLIANCE SECTION
Year Ended September 30, 2008

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, 2008, 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, 2008 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2009, 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information and the defined benefit pension information on pages 3 through 10 and 44 through 46, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Town Council
Town of Medley, Florida

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Medley, Florida's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Aurett Warmus Durkee

May 20, 2009

TOWN OF MEDLEY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2008

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, 2008.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$173,106,336 (*net assets*). Of this amount, \$14,736,944 (*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 \$2,186,475 or by approximately 1.3%. Of this increase, \$1,324,789 was in governmental activities and the remaining increase of \$861,686 in business-type activities. The increases were mostly attributable to higher than expected revenues and lower than expected expenses. The Town also received non-budgeted operating and capital grants which increased net assets.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$14,447,014, a decrease of \$1,067,467 in comparison with the prior year. Of this amount \$10,779,749, 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.
- During the year, the Town started construction on its new Municipal Service Facility. The total cost to construct the building is approximately \$11 million, including approximately \$500,000 in engineering, architectural design and other soft costs. There is a \$7.5 million construction loan on the project which will be converted to a term note at completion. As of September 30, 2008, total construction costs expended are approximately \$8.2 million and the total outstanding on the construction loan is approximately \$4.6 million.

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 a water and wastewater utility, a stormwater utility, an age and income restricted mobile home retirement park and a police gun range.

The government-wide financial statements can be found on pages 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 42 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 44 through 46 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 48 through 50 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, 2008	2007	September 30, 2008	2007	September 30, 2008	2007		
Current assets	\$ 15,529,183	\$ 15,659,063	\$ 6,227,008	\$ 5,878,909	\$ 21,756,191	\$ 21,537,972	\$ 218,219	1.0 %
Noncurrent assets	614,462	548,102	4,049,111	686,704	4,663,573	1,234,806	3,428,767	277.7
Capital assets, net	<u>138,866,589</u>	<u>131,824,942</u>	<u>21,925,326</u>	<u>21,118,612</u>	<u>160,791,915</u>	<u>152,943,554</u>	<u>7,848,361</u>	<u>5.1</u>
Total assets	<u>155,010,234</u>	<u>148,032,107</u>	<u>32,201,445</u>	<u>27,684,225</u>	<u>187,211,679</u>	<u>175,716,332</u>	<u>11,495,347</u>	<u>6.5</u>
Long-term liabilities outstanding	5,592,091	1,051,120	4,825,197	1,328,741	10,417,288	2,379,861	8,037,427	337.7
Other liabilities	<u>1,805,051</u>	<u>692,684</u>	<u>1,883,004</u>	<u>1,723,926</u>	<u>3,688,055</u>	<u>2,416,610</u>	<u>1,271,445</u>	<u>52.6</u>
Total liabilities	<u>7,397,142</u>	<u>1,743,804</u>	<u>6,708,201</u>	<u>3,052,667</u>	<u>14,105,343</u>	<u>4,796,471</u>	<u>9,308,872</u>	<u>194.1</u>
Net assets:								
Investment in capital assets, net of related debt	134,280,723	131,824,942	20,421,404	19,702,265	154,702,127	151,527,207	3,174,920	2.1
Restricted	3,667,265	2,945,047	-	-	3,667,265	2,945,047	722,218	24.5
Unrestricted	<u>9,665,104</u>	<u>11,518,314</u>	<u>5,071,840</u>	<u>4,929,293</u>	<u>14,736,944</u>	<u>16,447,607</u>	<u>(1,710,663)</u>	<u>(10.4)</u>
Total net assets	<u>\$ 147,613,092</u>	<u>\$ 146,288,303</u>	<u>\$ 25,493,244</u>	<u>\$ 24,631,558</u>	<u>\$ 173,106,336</u>	<u>\$ 170,919,861</u>	<u>\$ 2,186,475</u>	<u>1.3 %</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 \$173,106,336 at September 30, 2008, an increase of \$2,186,475 from the prior fiscal year.

The largest portion of the Town of Medley, Florida's net assets, \$154,702,127, or 89.4%, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, \$3,667,265, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$14,736,944, may be used to meet the government's ongoing obligations to residents and creditors.

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

Governmental and business-type activities. Governmental activities increased the Town of Medley, Florida's net assets by \$1,324,789, thereby accounting for 60.6% of the total growth in the net assets of the Town.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Government-Wide Financial Analysis – Continued

Governmental and business-type activities – continued.

The table below summarizes the statements of activities:

Town of Medley, Florida

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	Year Ended September 30, 2008	2007	Year Ended September 30, 2008	2007	Year Ended September 30, 2008	2007		
Revenues:								
Program revenues:								
Fees, fines and charges for services	\$ 2,180,259	\$ 2,061,586	\$ 5,873,147	\$ 6,743,319	\$ 8,053,406	\$ 8,804,905	\$ (751,499)	(8.5)%
Operating grants and contributions	124,867	96,299	5,201	6,472	130,068	102,771	27,297	26.6
Capital grants and contributions	308,560	143,500	474,979	1,221,401	783,539	1,364,901	(581,362)	(42.6)
General revenues:								
Ad valorem taxes	9,763,896	10,580,753	-	-	9,763,896	10,580,753	(816,857)	(7.7)
Utility taxes	1,084,135	1,080,081	-	-	1,084,135	1,080,081	4,054	0.4
Franchise fees	1,266,673	1,222,801	-	-	1,266,673	1,222,801	43,872	3.6
Other general taxes	733,231	852,988	-	-	733,231	852,988	(119,757)	(14.0)
Intergovernmental	243,332	226,438	-	-	243,332	226,438	16,894	7.5
Investment earnings	678,800	736,166	272,158	304,142	950,958	1,040,308	(89,350)	(8.6)
Other	259,570	239,085	-	68,649	259,570	307,734	(48,164)	(15.7)
Internal activity:								
Transfers	(145,000)	(250,000)	145,000	250,000	-	-	-	-
Total revenues and transfers	<u>16,498,323</u>	<u>16,989,697</u>	<u>6,770,485</u>	<u>8,593,983</u>	<u>23,268,808</u>	<u>25,583,680</u>	<u>(2,314,872)</u>	<u>(9.0)</u>
Expenses:								
General government	8,385,240	7,952,162	-	-	8,385,240	7,952,162	433,078	5.4
Public safety	4,455,700	4,433,980	-	-	4,455,700	4,433,980	21,720	0.5
Physical environment	683,211	898,164	-	-	683,211	898,164	(214,953)	(23.9)
Human services	821,068	744,919	-	-	821,068	744,919	76,149	10.2
Culture and recreation	754,595	729,744	-	-	754,595	729,744	24,851	3.4
Interest	73,720	-	107,543	105,538	181,263	105,538	75,725	71.8
Water and wastewater	-	-	4,045,264	3,562,040	4,045,264	3,562,040	483,224	13.6
Stormwater utility	-	-	1,186,708	799,902	1,186,708	799,902	386,806	48.4
Medley retirement park	-	-	328,118	319,351	328,118	319,351	8,767	2.7
Police gun range	-	-	241,166	318,669	241,166	318,669	(77,503)	(24.3)
Total expenses	<u>15,173,534</u>	<u>14,758,969</u>	<u>5,908,799</u>	<u>5,105,500</u>	<u>21,082,333</u>	<u>19,864,469</u>	<u>1,217,864</u>	<u>6.1</u>
Increase in Net Assets	<u>1,324,789</u>	<u>2,230,728</u>	<u>861,686</u>	<u>3,488,483</u>	<u>2,186,475</u>	<u>5,719,211</u>	<u>(3,532,736)</u>	<u>(61.8)</u>
Net Assets, beginning of year	<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>
Net Assets, end of year	<u>\$ 147,613,092</u>	<u>\$ 146,288,303</u>	<u>\$ 25,493,244</u>	<u>\$ 24,631,558</u>	<u>\$ 173,106,336</u>	<u>\$ 170,919,861</u>	<u>\$ 2,186,475</u>	<u>1.3%</u>

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

- Revenues, although lower than last fiscal year, were higher than budgeted. Expenses, although higher than last year, were lower than budgeted. This resulted in an increase in net assets of \$1,324,789, although the increase was \$905,939 less than last fiscal year.
- Ad valorem taxes decreased in the general fund by \$816,857, or 7.7%, from the previous year. This decrease is attributed to a decrease in the Town's operating millage rate from 6.900 mills to 5.7513 mills.
- Capital grants and contributions revenue decreased from the prior year because much of the 2007 capital grant revenues were attributable to FEMA monies received as a result of damages caused by Hurricane Wilma in October 2005.
- Investment earnings decreased by 8.6% from the prior year due to smaller rate of returns. Although the Town experienced lower rates of return from previous years, the decrease was mitigated by the fact that the Town's investments are mostly held in bank certificates of deposits and money market accounts.
- Other general tax revenues decreased by \$119,757 or 14%.
- Total expenses for the governmental activities increased by \$414,565. This was due to an increase in human services and culture and recreation expenses, as certain programs were enhanced. There was also a loss on the abandonment of a right a way asset in the amount of \$335,652. The mitigation expense the Town pays to Miami-Dade County for recently annexed lands increased by \$95,225.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

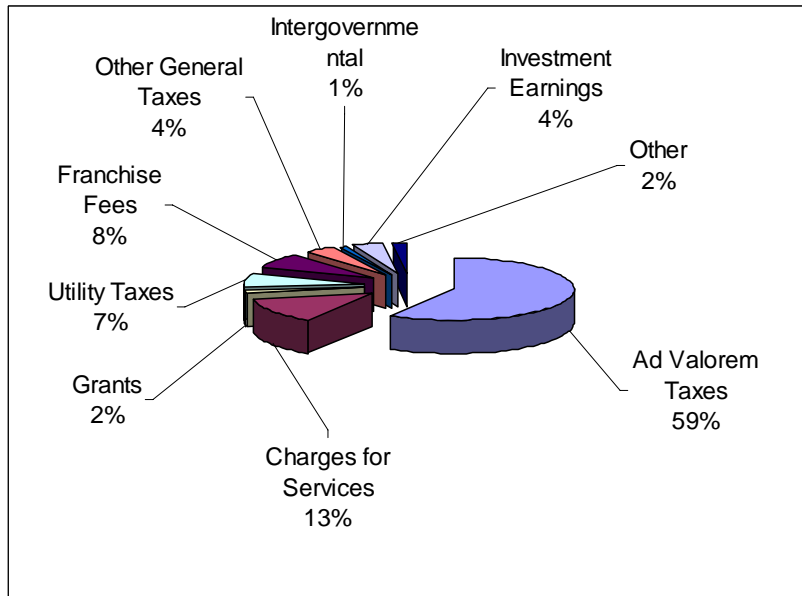
Government-Wide Financial Analysis – Continued

Governmental activities – continued.

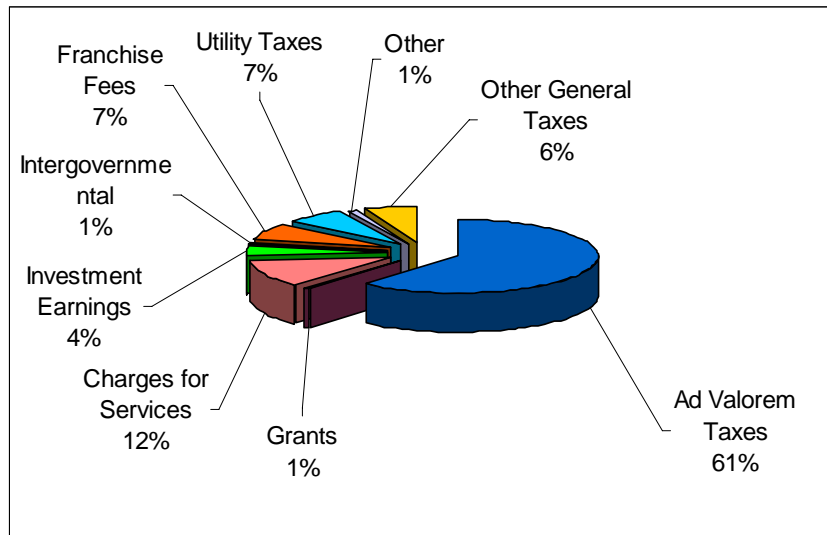
The following chart shows the amounts of program and general revenues for fiscal years 2008 and 2007:

Revenues by Source – Governmental Activities
For the Years Ended September 30, 2008 and 2007, respectively

2008



2007



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 \$861,686, thereby accounting for 39.4% of the total growth in the net assets of the Town.

Key elements of these activities are as follows:

- Last fiscal year there was an increase in net assets of \$3,488,483 or \$2,626,797 greater than the current fiscal year. The reasons for the decrease are: a decrease of \$954,648 in service and hook-up charges due to a decline in new development in the current year; a decrease of \$746,422 in capital grants and contributions due to the FEMA funding received in the prior year; and an increase of \$803,299 in expenses mostly attributable to increases in sewer treatment costs due to infiltration and consulting fees.
- The water and wastewater fund experienced net income of \$242,912, which is \$1,318,191 less than the previous year's net income. This is due to a decrease in user fees combined with the changes referenced above.
- The Town purchases all of its water from Miami-Dade County Water and Sewer Department and resells it to its customers. The Town has experienced water losses whereby the water purchased from the County has been greater than the water sold to Town customers (unaccounted water losses). The Town has made substantial progress in identifying and correcting these water losses. Unaccounted water losses are down to approximately 17%, compared to previous years' 23%. 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 \$614,873, 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 Medley lakeside retirement park fund of \$145,000 during the year. The Medley lakeside retirement park fund continues to experience operating losses. Land rents collected from residents do not cover operating expenses.
- Capital contributions from developers consisting of water and sewer infrastructure increased the net assets by \$278,549.

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 \$14,447,014, a decrease of \$1,067,467 in comparison with the prior year. This decrease is due mainly to the construction of the new Municipal Service Facility. The General Fund accounts for the construction costs as a current outflow of spendable resources and accounts for any construction loan or other construction proceeds as a current inflow of spendable resources. The General Fund used approximately \$2,000,000 of its own reserves (an outflow of spendable resources) to fund this construction project.

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 \$10,779,749. 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 48.5% of total general fund expenditures.

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

The total growth in net assets for all enterprise fund statements was \$861,686. 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 \$628,629 higher than the final budgeted amounts. Actual ad valorem collections were lower because of lower final assessments of properties as determined by the County Value Adjustment Board. However, 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 \$2,943,802. This is primarily due to the delay in the construction of the new Municipal Service Facility. Construction started in December 2007 and was not completed by September 30, 2008. In addition, anticipated rate increases in health insurance premiums were offset by greater deductibles and co-pays which were passed to the employees-participants, thereby reducing premiums.

Additional information on budgetary comparisons between the final budget and actual results can be found on page 44 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, 2008, amounts to \$160,791,915 (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.

The Town began construction on a new Municipal Service Facility to provide all of its municipal services from one central location. The design of this facility includes 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 construction cost of this project is \$10.5 million of which approximately 60% was completed by September 30, 2008.

The table below summarized the investment in capital assets:

Town of Medley, Florida

Capital Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	Total %
	September 30, 2008	2007	September 30, 2008	2007	September 30, 2008	2007		
Land	\$ 3,371,767	\$ 2,975,088	\$ 728,478	\$ 728,478	\$ 4,100,245	\$ 3,703,566	\$ 396,679	10.7 %
Construction in progress	8,657,508	453,784	374,904	288,199	9,032,412	741,983	8,290,429	1,117.3
Buildings and improvements	2,367,186	2,294,189	1,061,722	1,034,579	3,428,908	3,328,768	100,140	3.0
Infrastructure	142,215,363	142,545,363	-	-	142,215,363	142,545,363	(330,000)	(0.2)
Machinery, equipment and vehicles	3,505,199	3,318,888	2,492,692	2,204,332	5,997,891	5,523,220	474,671	8.6
Water and wastewater systems	-	-	20,541,962	19,905,397	20,541,962	19,905,397	636,565	3.2
Stormwater systems	-	-	6,606,902	6,075,066	6,606,902	6,075,066	531,836	8.8
Total	160,117,023	151,587,312	31,806,660	30,236,051	191,923,683	181,823,363	10,100,320	5.6
Accumulated depreciation	(21,250,434)	(19,762,370)	(9,881,334)	(9,117,439)	(31,131,768)	(28,879,809)	(2,251,959)	7.8
	<u>\$ 138,866,589</u>	<u>\$ 131,824,942</u>	<u>\$ 21,925,326</u>	<u>\$ 21,118,612</u>	<u>\$ 160,791,915</u>	<u>\$ 152,943,554</u>	<u>\$ 7,848,361</u>	<u>5.1 %</u>

Additional information on the Town of Medley, Florida’s capital assets can be found in Note 4 on pages 29 through 30 of this report.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Capital Asset and Debt Administration – Continued

Long-term obligations. At year-end, the Town had \$9,807,142 in notes outstanding versus \$1,665,815 last year. New debt acquired amounted to \$8,366,168 which principally consists of amounts for construction of the new Municipal Service Facility and debt for water and wastewater projects. Repayments amounted to \$224,841. Included in long-term obligations of the governmental fund type is \$884,238 in accrued compensated absence liabilities. Additional information on the Town of Medley, Florida's long-term debt can be found in Note 9 on pages 35 to 38 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town is currently pursuing the annexation of additional lands from Miami-Dade County. Other municipalities have expressed interest in annexing the same lands as the Town. 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 \$1,231,212 of their unreserved fund balance for spending in the 2009 fiscal year budget.

The operating millage for the fiscal year ending September 30, 2009 is stated at 5.7000 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 \$125,000 in ad valorem revenues.

Effective October 1, 2008, Miami-Dade County increased the water rates it charges the Town by 35%. The Town in turn increased the water rates it charges its customers by 35% for residential customers and 45% for commercial customers. The wastewater and stormwater utility fund's rates were not increased for the 2009 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, 2008

ASSETS	Governmental Activities	Business- Type Activities	Total
Cash and cash equivalents	\$ 2,325,353	\$ 3,524,781	\$ 5,850,134
Investments	9,191,497	3,538,519	12,730,016
Receivables, net	743,198	854,380	1,597,578
Internal balances	1,724,962	(1,724,962)	-
Prepaid expenses	1,544,173	34,290	1,578,463
Restricted assets:			
Cash and cash equivalents	414,462	280,747	695,209
Cash with fiscal agent	-	3,465,105	3,465,105
Investments	200,000	281,182	481,182
Capital assets, net	138,866,589	21,925,326	160,791,915
Other assets, net	-	22,077	22,077
TOTAL ASSETS	<u>155,010,234</u>	<u>32,201,445</u>	<u>187,211,679</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	1,536,396	1,070,762	2,607,158
Deferred revenue	160,235	133,979	294,214
Liabilities payable from restricted assets	-	512,591	512,591
Notes payable:			
Due within one year	108,420	165,672	274,092
Due after one year	5,592,091	4,825,197	10,417,288
TOTAL LIABILITIES	<u>7,397,142</u>	<u>6,708,201</u>	<u>14,105,343</u>
NET ASSETS			
Investment in capital assets, net of related debt	134,280,723	20,421,404	154,702,127
Restricted	3,667,265	-	3,667,265
Unrestricted	9,665,104	5,071,840	14,736,944
TOTAL NET ASSETS	<u>\$ 147,613,092</u>	<u>\$ 25,493,244</u>	<u>\$ 173,106,336</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2008

ASSETS	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
Cash and cash equivalents	\$ 2,202,669	\$ 122,684	\$ 2,325,353
Investments	9,091,497	100,000	9,191,497
Receivables, net	739,741	3,457	743,198
Due from other funds	520,058	-	520,058
Prepaid items	1,544,173	-	1,544,173
Restricted assets:			
Cash and cash equivalents	414,462	-	414,462
Investments	200,000	-	200,000
Advances to other funds	1,293,635	-	1,293,635
TOTAL ASSETS	\$ 16,006,235	\$ 226,141	\$ 16,232,376
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,536,396	\$ -	\$ 1,536,396
Deferred revenue	160,235	-	160,235
Due to other funds	77,585	11,146	88,731
Total liabilities	<u>1,774,216</u>	<u>11,146</u>	<u>1,785,362</u>
Fund Equity:			
Fund balance:			
Reserved	3,452,270	214,995	3,667,265
Unreserved:			
Designated	8,600,000	-	8,600,000
Unreserved/undesignated	2,179,749	-	2,179,749
Total fund equity	<u>14,232,019</u>	<u>214,995</u>	<u>14,447,014</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 16,006,235	\$ 226,141	\$ 16,232,376
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets:			
Total fund balance – total governmental funds			\$ 14,447,014
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets of \$160,117,023, net of accumulated depreciation of \$21,250,434, are not financial resources and, therefore, are not reported in the funds.			138,866,589
Long-term obligations of \$5,700,511 are not due and payable in the current period and are not reported in the funds.			<u>(5,700,511)</u>
Net assets of governmental activities			<u>\$ 147,613,092</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

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

Year Ended September 30, 2008

	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Ad valorem taxes	\$ 9,763,896	\$ -	\$ 9,763,896
Utility taxes	1,084,135	-	1,084,135
Other general taxes	918,403	-	918,403
Intergovernmental	676,759	-	676,759
Permits, fees and licenses	3,017,211	-	3,017,211
Fines and forfeitures	156,972	-	156,972
User charges	84,043	-	84,043
Miscellaneous	795,327	146,577	941,904
Total revenues	<u>16,496,746</u>	<u>146,577</u>	<u>16,643,323</u>
Expenditures:			
Current operating:			
General government	6,728,352	-	6,728,352
Public safety	4,274,831	-	4,274,831
Physical environment	693,548	-	693,548
Human services	770,538	-	770,538
Culture and recreation	662,382	28,981	691,363
Capital outlay	9,019,304	-	9,019,304
Debt service	92,219	-	92,219
Total expenditures	<u>22,241,174</u>	<u>28,981</u>	<u>22,270,155</u>
Excess (Deficit) of Revenues Over Expenditures	(5,744,428)	117,596	(5,626,832)
Other Financing Sources (Uses):			
Proceeds from issuance of debt	4,704,365	-	4,704,365
Transfers out	(145,000)	-	(145,000)
Excess (Deficit) of Revenues Over Expenditures and Other Financing Sources (Uses)	(1,185,063)	117,596	(1,067,467)
Fund Balances, Beginning of Year	<u>15,417,082</u>	<u>97,399</u>	<u>15,514,481</u>
Fund Balances, End of Year	<u>\$ 14,232,019</u>	<u>\$ 214,995</u>	<u>\$ 14,447,014</u>
Reserved Fund Balance	\$ 3,452,270	\$ 214,995	\$ 3,667,265
Unreserved Fund Balance:			
Designated fund balance	8,600,000	-	8,600,000
Undesignated fund balance	<u>2,179,749</u>	<u>-</u>	<u>2,179,749</u>
	<u>\$ 14,232,019</u>	<u>\$ 214,995</u>	<u>\$ 14,447,014</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			\$ (1,067,467)
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 \$9,019,304 exceeded depreciation of \$1,642,005 in the current period.			7,377,299
Change in long-term compensated absences recognized in statement of government activities, not recognized as expenditures.			36,475
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.			18,499
Increase in note payable financing			(4,704,365)
Other – loss on abandonment of capital assets			<u>(335,652)</u>
Change in net assets of governmental activities			<u>\$ 1,324,789</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

September 30, 2008

ASSETS	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Current Assets:				
Cash and cash equivalents	\$ 1,844,912	\$ 1,532,401	\$ 147,468	\$ 3,524,781
Investments	1,336,531	2,149,326	52,662	3,538,519
Receivables, net	495,190	114,930	72,830	682,950
Due from other governments	-	171,430	-	171,430
Due from other funds	125,439	77,585	-	203,024
Prepaid expenses	-	26,368	7,922	34,290
Total current assets	<u>3,802,072</u>	<u>4,072,040</u>	<u>280,882</u>	<u>8,154,994</u>
Noncurrent Assets:				
Restricted assets:				
Cash and cash equivalents	280,747	-	-	280,747
Cash with fiscal agent	3,465,105	-	-	3,465,105
Investments	281,182	-	-	281,182
Total restricted assets	<u>4,027,034</u>	<u>-</u>	<u>-</u>	<u>4,027,034</u>
Capital Assets, net	15,068,768	6,578,113	278,445	21,925,326
Other Assets – Loan Costs, net	22,077	-	-	22,077
Total noncurrent assets	<u>19,117,879</u>	<u>6,578,113</u>	<u>278,445</u>	<u>25,974,437</u>
TOTAL ASSETS	<u>22,919,951</u>	<u>10,650,153</u>	<u>559,327</u>	<u>34,129,431</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	972,484	73,670	24,608	1,070,762
Refundable advances	-	133,979	-	133,979
Due to other funds	408,873	125,439	100,039	634,351
Liabilities payable from restricted assets:				
Utility deposits	405,636	-	-	405,636
Deferred developer fees	106,955	-	-	106,955
Current portion of long-term debt	275,548	50,304	-	325,852
Total current liabilities	<u>2,169,496</u>	<u>383,392</u>	<u>124,647</u>	<u>2,677,535</u>
Long-Term Debt, less current portion:				
Notes payable	4,713,179	112,018	-	4,825,197
Advance from other fund	1,133,455	-	-	1,133,455
Total long-term debt	<u>5,846,634</u>	<u>112,018</u>	<u>-</u>	<u>5,958,652</u>
TOTAL LIABILITIES	<u>8,016,130</u>	<u>495,410</u>	<u>124,647</u>	<u>8,636,187</u>
NET ASSETS				
Investment in Capital Assets, net of related debt	13,718,813	6,424,146	278,445	20,421,404
Unrestricted	<u>1,185,008</u>	<u>3,730,597</u>	<u>156,235</u>	<u>5,071,840</u>
TOTAL NET ASSETS	<u>\$ 14,903,821</u>	<u>\$ 10,154,743</u>	<u>\$ 434,680</u>	<u>\$ 25,493,244</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

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

Year Ended September 30, 2008

	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Operating Revenues:				
User charges	\$ 3,712,313	\$ 1,471,080	\$ 421,960	\$ 5,605,353
Service and hook-up charges	252,498	-	-	252,498
Miscellaneous other	14,848	448	-	15,296
Total operating revenues	<u>3,979,659</u>	<u>1,471,528</u>	<u>421,960</u>	<u>5,873,147</u>
Operating Expenses:				
Salaries, wages and employee benefits	1,062,518	337,501	186,776	1,586,795
Contractual services, materials and supplies	2,434,668	607,156	341,737	3,383,561
Depreciation and amortization	548,078	242,051	40,771	830,900
Total operating expenses	<u>4,045,264</u>	<u>1,186,708</u>	<u>569,284</u>	<u>5,801,256</u>
Operating Income (Loss)	<u>(65,605)</u>	<u>284,820</u>	<u>(147,324)</u>	<u>71,891</u>
Non-Operating Revenues (Expenses):				
Grants	-	176,631	-	176,631
Interest income	129,701	136,232	6,225	272,158
Interest expense	(99,733)	(7,810)	-	(107,543)
Total non-operating revenues (expenses)	<u>29,968</u>	<u>305,053</u>	<u>6,225</u>	<u>341,246</u>
Income (Loss) Before Other Revenues and Transfers	<u>(35,637)</u>	<u>589,873</u>	<u>(141,099)</u>	<u>413,137</u>
Other Revenues and Transfers:				
Capital contributions	278,549	25,000	-	303,549
Transfers in	-	-	145,000	145,000
Total other revenues and transfers	<u>278,549</u>	<u>25,000</u>	<u>145,000</u>	<u>448,549</u>
Net Income	242,912	614,873	3,901	861,686
Net Assets, Beginning of Year	<u>14,660,909</u>	<u>9,539,870</u>	<u>430,779</u>	<u>24,631,558</u>
Net Assets, End of Year	<u>\$ 14,903,821</u>	<u>\$ 10,154,743</u>	<u>\$ 434,680</u>	<u>\$ 25,493,244</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

Year Ended September 30, 2008

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 4,025,744	\$ 1,624,852	\$ 395,190	\$ 6,045,786
Payments to suppliers	(2,190,287)	(600,418)	(351,316)	(3,142,021)
Payments to employees	(1,036,637)	(344,377)	(188,129)	(1,569,143)
Other receipts	14,848	448	-	15,296
Net cash provided by (used in) operating activities	<u>813,668</u>	<u>680,505</u>	<u>(144,255)</u>	<u>1,349,918</u>
Cash Flows From Noncapital Financing Activities:				
Increase in current liabilities payable from restricted assets	(102,405)	-	-	(102,405)
Transfers from other funds	-	-	145,000	145,000
Proceeds from operating grants	-	-	6,472	6,472
Change in due from/to other funds	(22,723)	(191,990)	111,725	(102,988)
Net cash provided by (used in) noncapital financing activities	<u>(125,128)</u>	<u>(191,990)</u>	<u>263,197</u>	<u>(53,921)</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(620,291)	(708,168)	(47,113)	(1,375,572)
Capital contribution received	278,549	25,000	-	303,549
Advances from other funds	(256,566)	-	-	(256,566)
Proceeds from capital grants	-	624,298	-	624,298
Increase in cash with fiscal agent	(3,465,105)	-	-	(3,465,105)
Proceeds from issuance of debt	3,450,000	-	-	3,450,000
Principal reduction on notes payable	(162,431)	(43,911)	-	(206,342)
Interest paid on notes payable	(83,008)	(7,810)	-	(90,818)
Net cash used in capital and related financing activities	<u>(858,852)</u>	<u>(110,591)</u>	<u>(47,113)</u>	<u>(1,016,556)</u>
Cash Flows From Investing Activities:				
Redemption of investments	82,689	-	-	82,689
Purchase of investments	(406,830)	(78,280)	(2,662)	(487,772)
Interest income received	131,919	108,316	6,225	246,460
Net cash provided by (used in) investing activities	<u>(192,222)</u>	<u>30,036</u>	<u>3,563</u>	<u>(158,623)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(362,534)	407,960	75,392	120,818
Cash and Cash Equivalents, Beginning of Year	<u>2,488,193</u>	<u>1,124,441</u>	<u>72,076</u>	<u>3,684,710</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,125,659</u>	<u>\$ 1,532,401</u>	<u>\$ 147,468</u>	<u>\$ 3,805,528</u>

(Continued)

See accompanying notes.

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

Year Ended September 30, 2008

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)				
Operating Activities:				
Operating income (loss)	\$ (65,605)	\$ 284,820	\$ (147,324)	\$ 71,891
Adjustments to reconcile operating income (loss) to net cash provided by (used in)				
operating activities:				
Depreciation and amortization	548,078	242,051	40,771	830,900
Bad debt expense	5,000	-	-	5,000
Loss on disposal of assets	1,777	-	-	1,777
Changes in:				
Receivables	60,933	153,772	(26,770)	187,935
Prepaid expenses	8,686	8,790	(305)	17,171
Accounts payable and accrued liabilities	228,918	(2,052)	(9,274)	217,592
Compensated absences	25,881	(6,876)	(1,353)	17,652
Net Cash Provided by (Used in) Operating Activities	\$ 813,668	\$ 680,505	\$ (144,255)	\$ 1,349,918

Noncash Investing and Financing Activities:

In the Water and Wastewater Fund, a capital asset purchase of \$211,803 was financed under a note payable agreement.

See accompanying notes.

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

September 30, 2008

	Pension Trust Funds		
	General Employees Pension Fund	Police Officers' Retirement Fund	Total
ASSETS			
Investments at fair value	\$ 4,849,226	\$ 4,657,101	\$ 9,506,327
TOTAL ASSETS	4,849,226	4,657,101	9,506,327
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	1,204	-	1,204
Advance contributions from Town	958,031	332,994	1,291,025
TOTAL LIABILITIES	959,235	332,994	1,292,229
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 3,889,991	\$ 4,324,107	\$ 8,214,098

See accompanying notes.

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

Year Ended September 30, 2008

	Pension Trust Funds		Total
	General Employees Pension Fund	Police Officers' Retirement Fund	
Additions:			
Contributions:			
Employer	\$ 1,078,125	\$ 1,289,507	\$ 2,367,632
Employee	-	115,733	115,733
Total contributions	1,078,125	1,405,240	2,483,365
Investment earnings (losses), including net unrealized gain (loss) on investments	(1,063,456)	(934,363)	(1,997,819)
Total additions	14,669	470,877	485,546
Deductions:			
Benefit payments	166,663	70,744	237,407
Administrative expenses	4,817	18,262	23,079
Total deductions	171,480	89,006	260,486
Change in net assets	(156,811)	381,871	225,060
Net Assets Held in Trust for Pension Benefits:			
Beginning of year	4,046,802	3,942,236	7,989,038
End of year	\$ 3,889,991	\$ 4,324,107	\$ 8,214,098

See accompanying notes.

TOWN OF MEDLEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

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, 2008.

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. Government-Wide and Fund Financial Statements

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

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater fund and the stormwater utility fund are charges to customers for sales and services. The Town also recognizes as operating revenue the option of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, and Net Assets or Equity

(1) Deposits and Investments

(a) Cash and Cash Equivalents

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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. At September 30, 2008, the carrying amount of the Town's deposits was \$6,545,343 and the bank balances of the Town's deposits were \$6,829,981. A portion of the bank balances were covered by federal deposit insurance and the remainder was covered by pledged collateral as required by Florida Statutes. All collateral is pledged in the Town's name and is held by a third party financial institution.

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

(2) Town of Medley's Investment Policies

(a) Credit Risk

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

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

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

(b) Interest Rate Risk

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

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

(c) 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 33% of its investments in fixed income securities, 59% in domestic equity and 8% in international stock. The Police Officers Retirement Fund presently has allocated 34% of its investment in fixed income securities, 58% in domestic equity and 8% 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, 2008 are as follows:

	General Employees Pension Fund	Police Officers’ Retirement Fund
	<u> </u>	<u> </u>
Stable Asset Fund II	\$ 1,162,364	\$ 551,394
Vanguard 500 Index Admiral DB	-	453,365
T. Rowe Price Growth Stock	733,164	-
Davis New York Venture Y	325,662	-
Hotchkis Wiley Large Cap Value I	666,432	-
Vanguard 500 Index DB	334,372	-
Harbor Bond	433,562	1,026,823
Vanguard Morgan Growth Adml DB	-	661,388
Vanguard Extd Market Index Adml DB	-	468,359
Ranier Small/Mid Cap Eq I Por	-	443,414
Jennison Small Company Z	-	236,749
Alliance Bernstein International Val I	-	363,745
	<u>\$ 3,655,556</u>	<u>\$ 4,205,237</u>

(3) Interfund Receivables and Payables

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

(4) Capital Assets

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

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

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

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

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

(5) Loan Costs

Costs incurred in connection with obtaining financing have been capitalized and are being amortized using the straight-line method over the life of the respective financing. Amortization expense was \$1,507 for the year ended September 30, 2008. Loan costs consist of the following at September 2008:

	<u>Water and Wastewater Fund</u>
Loan costs	\$ 29,314
Accumulated amortization	<u>(7,237)</u>
	<u>\$ 22,077</u>

(6) Deferred Revenue

Deferred revenue recorded in the governmental funds relates to fees received prior to September 30, 2008 that are for fiscal year 2009 occupational and other licenses and other fees.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

(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.

F. Other Post-Employment Benefits

In addition to pension benefits described in Note 7, 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 2008, expenses of \$46,844 were recognized for post-employment benefits. There are six 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 but will be effective in the fiscal year ending September 30, 2009. 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.

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.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

G. Stewardship, Compliance, and Accountability – Continued

Budgetary Information – Continued

Legally Adopted Appropriated Budgets – Continued:

- 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.

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.

2. Cash, Cash Equivalents and Investments:

Cash and cash equivalents at September 30, 2008 consist of the following:

	Governmental Fund Types		Proprietary Fund Type	Total All Funds	Financial Institution Balance
	General Fund	Special Revenue Fund	Enterprise Funds		
Unrestricted:					
Demand deposits	\$ 2,026,985	\$ -	\$ 2,584,744	\$ 4,611,729	\$ 4,896,183
Money market funds	175,684	122,684	940,037	1,238,405	1,238,854
	<u>2,202,669</u>	<u>122,684</u>	<u>3,524,781</u>	<u>5,850,134</u>	<u>6,135,037</u>
Restricted:					
Demand deposits	1,303 ³	-	156,293 ^{2 & 4}	157,596	157,331
Money market funds	413,159 ^{3 & 5}	-	124,454 ¹	537,613	537,613
	<u>414,462</u>	<u>-</u>	<u>280,747</u>	<u>695,209</u>	<u>694,944</u>
Total Cash and Cash Equivalents	\$ <u>2,617,131</u>	\$ <u>122,684</u>	\$ <u>3,805,528</u>	\$ <u>6,545,343</u>	\$ <u>6,829,981</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

2. Cash, Cash Equivalents and Investments – Continued:

Cash with fiscal agent at September 30, 2008 consists of amounts on deposit with a national financial institution for the repayment of the revenue note with the Florida Rural Utility Financing Commission described in Note 9. The funds are in a governmental pool with those of other recipients of similar financing. At September 30, 2008, cost approximates fair value.

Investments at September 30, 2008 consist of the following:

	Governmental Fund Types		Proprietary	Total All	Financial
	General Fund	Special Revenue Fund	Enterprise Funds		
	Cost and Fair Value	Cost and Fair Value	Cost and Fair Value	Cost and Fair Value	Institution Balance
Unrestricted:					
Certificates of deposit	\$ 9,091,497	\$ 100,000	\$ 3,538,519	\$ 12,730,016	\$ 12,931,753
Restricted:					
Certificates of deposit	200,000 ³	-	281,182 ¹	481,182	491,841
Total Investments	\$ 9,291,497	\$ 100,000	\$ 3,819,701	\$ 13,211,198	\$ 13,423,594

- ¹ Restricted for customer utility deposits
- ² Restricted for water and wastewater planning and design
- ³ Restricted for law enforcement
- ⁴ Restricted for deferred developer fees
- ⁵ Restricted for transportation

3. Accounts Receivable and Due From Other Governments:

Accounts receivable and due from other governments consist of the following at September 30, 2008:

	Governmental Funds			Enterprise Funds				Total
	General Fund	Special Revenue	Total Governmental	Water and Wastewater	Stormwater Utility	Police Gun Range	Total Enterprise	
Accounts Receivable:								
User charges	\$ 32,425	\$ -	\$ 32,425	\$ 488,919	\$ 30,023	\$ 72,830	\$ 591,772	\$ 624,197
Interest	242,268	3,457	245,725	23,271	84,907	-	108,178	353,903
Utility taxes	94,327	-	94,327	-	-	-	-	94,327
Franchise fees	186,348	-	186,348	-	-	-	-	186,348
Other	54,076	-	54,076	-	-	-	-	54,076
Total accounts receivable	<u>609,444</u>	<u>3,457</u>	<u>612,901</u>	<u>512,190</u>	<u>114,930</u>	<u>72,830</u>	<u>699,950</u>	<u>1,312,851</u>
Due From Other Governments:								
Ad valorem	17,404	-	17,404	-	-	-	-	17,404
Communication services	63,779	-	63,779	-	-	-	-	63,779
Grants	40,578	-	40,578	-	171,430	-	171,430	212,008
Other	28,586	-	28,586	-	-	-	-	28,586
Total due from other governments	<u>150,347</u>	<u>-</u>	<u>150,347</u>	<u>-</u>	<u>171,430</u>	<u>-</u>	<u>171,430</u>	<u>321,777</u>
Less Allowance for Doubtful Accounts	(20,050)	-	(20,050)	(17,000)	-	-	(17,000)	(37,050)
	<u>\$ 739,741</u>	<u>\$ 3,457</u>	<u>\$ 743,198</u>	<u>\$ 495,190</u>	<u>\$ 286,360</u>	<u>\$ 72,830</u>	<u>\$ 854,380</u>	<u>\$ 1,597,578</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. Capital Assets:

A. Changes in Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance, October 1, 2007, as restated	Additions	Dispositions	Transfers	Balance, September 30, 2008
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 2,975,088	\$ 396,679	\$ -	\$ -	\$ 3,371,767
Infrastructure	100,224,213	-	(330,000)	-	99,894,213
Construction in progress	453,784	8,203,724	-	-	8,657,508
Total capital assets not being depreciated	<u>103,653,085</u>	<u>8,600,403</u>	<u>(330,000)</u>	<u>-</u>	<u>111,923,488</u>
Capital assets being depreciated:					
Buildings and improvements	2,294,189	85,292	(12,295)	-	2,367,186
Infrastructure	42,321,150	-	-	-	42,321,150
Transportation equipment	1,603,953	241,420	(80,484)	-	1,764,889
Machinery and equipment	1,714,935	92,189	(66,814)	-	1,740,310
Total capital assets being depreciated	47,934,227	418,901	(159,593)	-	48,193,535
Accumulated depreciation	<u>(19,762,370)</u>	<u>(1,642,005)</u>	<u>153,941</u>	<u>-</u>	<u>(21,250,434)</u>
Capital assets being depreciated, net	<u>28,171,857</u>	<u>(1,223,104)</u>	<u>(5,652)</u>	<u>-</u>	<u>26,943,101</u>
Governmental activities – capital assets, net	<u>\$ 131,824,942</u>	<u>\$ 7,377,299</u>	<u>\$ (335,652)</u>	<u>\$ -</u>	<u>\$ 138,866,589</u>
Business-Type Activities:					
Capital assets not being depreciated:					
Land:					
Water and wastewater fund	\$ 444,238	\$ -	\$ -	\$ -	\$ 444,238
Medley lakeside retirement park fund	284,240	-	-	-	284,240
	<u>728,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>728,478</u>
Construction in progress:					
Water and wastewater fund	145,917	583,705	(71,937)	(636,565)	21,120
Stormwater utility fund	142,282	743,338	-	(531,836)	353,784
	<u>288,199</u>	<u>1,327,043</u>	<u>(71,937)</u>	<u>(1,168,401)</u>	<u>374,904</u>
Total capital assets not being depreciated	<u>1,016,677</u>	<u>1,327,043</u>	<u>(71,937)</u>	<u>(1,168,401)</u>	<u>1,103,382</u>
Capital assets being depreciated:					
Water, wastewater and stormwater utility systems:					
Water and wastewater fund	19,905,397	-	-	636,565	20,541,962
Stormwater utility fund	6,075,066	-	-	531,836	6,606,902
	<u>25,980,463</u>	<u>-</u>	<u>-</u>	<u>1,168,401</u>	<u>27,148,864</u>
Buildings and improvements:					
Water and wastewater fund	567,701	-	-	-	567,701
Medley lakeside retirement park fund	299,623	-	-	-	299,623
Police gun range fund	167,255	27,143	-	-	194,398
	<u>1,034,579</u>	<u>27,143</u>	<u>-</u>	<u>-</u>	<u>1,061,722</u>
Transportation equipment:					
Water and wastewater fund	562,954	37,390	(32,409)	-	567,935
Stormwater utility fund	418,364	-	-	-	418,364
Medley lakeside retirement park fund	3,634	-	-	-	3,634
	<u>984,952</u>	<u>37,390</u>	<u>(32,409)</u>	<u>-</u>	<u>989,933</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. Capital Assets – Continued:

A. Changes in Capital Assets – Continued

	Balance, October 1, 2007, as restated	Additions	Dispositions	Transfers	Balance, September 30, 2008
Business-Type Activities – Continued:					
Machinery and equipment:					
Water and wastewater fund	565,635	283,561	(35,491)	-	813,705
Stormwater utility fund	541,928	15,339	-	-	557,267
Medley lakeside retirement park fund	27,180	5,694	-	-	32,874
Police gun range fund	84,637	14,276	-	-	98,913
	<u>1,219,380</u>	<u>318,870</u>	<u>(35,491)</u>	<u>-</u>	<u>1,502,759</u>
Total capital assets being depreciated:					
Water and wastewater fund	21,601,687	320,951	(67,900)	636,565	22,491,303
Stormwater utility fund	7,035,358	15,339	-	531,836	7,582,533
Medley lakeside retirement park fund	330,437	5,694	-	-	336,131
Police gun range fund	251,892	41,419	-	-	293,311
	<u>29,219,374</u>	<u>383,403</u>	<u>(67,900)</u>	<u>1,168,401</u>	<u>30,703,278</u>
Accumulated depreciation:					
Water and wastewater fund	(7,406,820)	(546,571)	65,498	-	(7,887,893)
Stormwater utility fund	(1,116,153)	(242,051)	-	-	(1,358,204)
Medley lakeside retirement park fund	(425,176)	(25,529)	-	-	(450,705)
Police gun range fund	(169,290)	(15,242)	-	-	(184,532)
Total accumulated depreciation	<u>(9,117,439)</u>	<u>(829,393)</u>	<u>65,498</u>	<u>-</u>	<u>(9,881,334)</u>
Capital assets being depreciated, net	<u>20,101,935</u>	<u>(445,990)</u>	<u>(2,402)</u>	<u>1,168,401</u>	<u>20,821,944</u>
Business-type activities – capital assets, net	<u>\$ 21,118,612</u>	<u>\$ 881,053</u>	<u>\$ (74,339)</u>	<u>\$ -</u>	<u>\$ 21,925,326</u>

B. Depreciation Expense

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

Governmental Activities:	
General government	\$ 1,295,960
Public safety	213,161
Physical environment	17,536
Human services	52,116
Culture and recreation	63,232
	<u>\$ 1,642,005</u>
Business-type Activities:	
Water and wastewater utility	<u>\$ 546,571</u>
Stormwater utility	<u>\$ 242,051</u>
Medley lakeside retirement park	<u>\$ 25,529</u>
Police gun range	<u>\$ 15,242</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. Accounts Payable and Accrued Liabilities:

Accounts payable and accrued liabilities consist of the following at September 30, 2008:

	General Fund	Enterprise Funds					Total Enterprise	Total
		Water and Wastewater	Stormwater Utility	Lakeside Park	Police Gun Range			
Vendors	\$ 1,176,073	\$ 487,371	\$ 62,869	\$ 9,862	\$ 4,500	\$ 564,602	\$ 1,740,675	
Salaries and benefits	310,323	35,748	4,099	1,877	4,399	46,123	356,446	
Compensated absences	-	105,344	6,702	-	3,970	116,016	116,016	
Interest	-	46,225	-	-	-	46,225	46,225	
Other	50,000	-	-	-	-	-	50,000	
DERM taxes	-	297,796	-	-	-	297,796	297,796	
	<u>\$ 1,536,396</u>	<u>\$ 972,484</u>	<u>\$ 73,670</u>	<u>\$ 11,739</u>	<u>\$ 12,869</u>	<u>\$ 1,070,762</u>	<u>\$ 2,607,158</u>	

6. Ad Valorem Tax Revenues:

The Town levied a millage rate of \$5.7513 per \$1,000 of assessed value for the fiscal year 2008 and \$5.7000 for the fiscal year 2009. 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.

7. Employee Benefit Plans:

A. Single Employer Defined Benefit Plans

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

- **General Employees Pension Plan:** The Town of Medley’s General Employees Pension Plan provides retirement benefits for substantially all full-time nonsworn police officers and elected officials of the Town. General Employees Pension information in this note is provided as of the latest actuarial valuation, October 1, 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 the General Employees Pension Plan and biannually for the Police Officers Retirement Plan. For additional information relating to investment policy, basis of accounting and reported investment values see Note 1.

(2) Memberships of the Plans are as follows:

	General Employees Pension Plan	Police Officers’ Retirement Plan	Total
Non-vested active members	11	6	17
Fully-vested active members	43	26	69
Retirees and beneficiaries currently receiving benefits	6	-	6
Terminated plan members entitled to but not yet receiving benefits	9	-	9
	<u>69</u>	<u>32</u>	<u>101</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

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

	<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 approved by Town Council	Increases must be approved by Town Council
Eligibility for distributions	30 years of credited service or age 62 for general employees; 8 years of credited service or age 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, 2008
Actuarial cost method	Aggregate	Aggregate
Amortization method	N/A	N/A
Amortization period	N/A	N/A
Actuarial asset valuation method	Fair market value	Four year smooth
Actuarial assumptions:		
Investment rate of return	7%, pre-retirement, 6%, post-retirement	8%
Projected salary increases	Variable	Variable
Post retirement benefit increases	N/A	N/A
Inflation	3%	2.5%
Cost-of-living adjustments	Change in price index	N/A

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

7. Employee Benefit Plans – Continued:

A. Single Employer Defined Benefit Plans – Continued

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

Year Ended September 30,	<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>
2008	\$ 1,078,125	135%	\$ (958,031)	\$ 1,289,507	128%	\$ (332,994)
2007	1,061,492	141	(584,852)	1,228,102	98	30,478
2006	980,260	148	(159,540)	1,137,698	100	-

(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, 2008, there were 47, 9 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

7. Employee Benefit Plans – Continued:

B. Money Purchase Plan – Continued

Employees, executives and Council persons are always 100% vested as to benefits attributable to their contributions to their accounts.

Under the provisions of each plan, employees, executives and Council persons are eligible for normal retirement after 10 years credited service for employees and executives and 10 years participation by Council persons.

During the year, the Town contributed \$233,838, \$124,883, and \$27,054, 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.

8. Operating Leases:

As Lessor – The Town operates a police gun range which is available for rent to other law enforcement agencies in the area on a day-to-day basis. In the fiscal year ended September 30, 2008, the Town received \$263,980 in rental income from the gun range.

In addition, the Town subleases mobile home sites to qualified individuals in the Town’s mobile home park on an annual basis. Tenants of the mobile home park are required to be qualified low-income individuals. In the fiscal year ended September 30, 2008, the Town received \$157,980 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):

	Minimum Lease Payments	Estimated Contingent Rentals	Estimated Total Amount
Year Ending September 30, 2009	\$ 30,000	\$ 17,440	\$ 47,440

Total fiscal 2008 rental expenditures under the ground lease were \$93,683 including \$33,683 of contingent rentals.

Subsequent to year end, the ground lease was renewed for twenty years expiring April 2029 under the same terms and provisions as the original lease.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

8. Operating Leases – Continued:

During 2008, the Town entered into an operating lease agreement for police motorcycles. The lease is for a period of 24 months with monthly payments of \$1,275 and expires February 2010. The following is a schedule of future minimum payments under this lease:

Year Ending September 30,		
2009	\$	14,025
2010		<u>2,550</u>
	\$	<u><u>16,575</u></u>

Total fiscal 2008 rental expenditures under this lease were \$14,025.

Total rents under all operating leases, including short-term, month-to-month rentals, were \$136,436 for the year ended September 30, 2008.

9. Long-Term Obligations:

A. Governmental Fund Type Long-Term Obligations

Changes in governmental fund type long-term obligations for the year ended September 30, 2008 are as follows:

	Balance, October 1, 2007	Additions	Reductions	Balance, September 30, 2008
Notes payable	\$ 130,407	\$ 4,704,365	\$ 18,499	\$ 4,816,273
Compensated absences	<u>920,713</u>	<u>-</u>	<u>36,475</u>	<u>884,238</u>
	\$ <u><u>1,051,120</u></u>	\$ <u><u>4,704,365</u></u>	\$ <u><u>54,974</u></u>	\$ <u><u>5,700,511</u></u>

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

Fiscal Year	Governmental Fund Type		
	Principal	Interest	Total Debt Service
2009	\$ 108,420	\$ 279,646	\$ 388,066
2010	176,562	270,046	446,608
2011	113,185	259,717	372,902
2012	97,050	253,697	350,747
2013	102,831	247,916	350,747
2014 – 2018	613,664	1,140,070	1,753,734
2019	<u>3,604,561</u>	<u>137,763</u>	<u>3,742,324</u>
	\$ <u><u>4,816,273</u></u>	\$ <u><u>2,588,855</u></u>	\$ <u><u>7,405,128</u></u>

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. Long-Term Obligations – Continued:

A. Governmental Fund Type Long-Term Obligations – Continued

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	\$ 130,407
Note Payable – Bank United, maximum draws \$7,500,000, interest only through May 2009 at LIBOR plus 1.87% (5.8% at September 30, 2008), after interest only period monthly payments of principal and interest for 120 months at the Federal Reserve Board swap rate index plus 1.5%, adjusted at the beginning of the principal and interest period and after 60 monthly payments of principal and interest through May 2019 when the balance becomes due, uncollateralized	4,623,865
Capital lease – Key Equipment Finance, Inc., monthly payments of \$1,846 including interest at 4.79% through September 2011, collateralized by underlying equipment	<u>62,001</u>
	<u>\$ 4,816,273</u>

The present value of future minimum lease payments under the capital lease at September 30, 2008 is as follows:

Total payments required	\$ 66,670
Less amount representing interest	<u>(4,669)</u>
Present value of future minimum lease payments	<u>\$ 62,001</u>

Equipment under the capital lease is \$64,400 and is included in capital assets, net of accumulated depreciation of \$16,100.

B. Proprietary Fund Type Long-Term Obligations

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, 2008 are as follows:

	Balance, October 1, 2007	Additions	Reductions	Balance, September 30, 2008
Notes payable	\$ 1,329,175	\$ 3,661,803	\$ 162,431	\$ 4,828,547
Capital leases	<u>206,233</u>	<u>-</u>	<u>43,911</u>	<u>162,322</u>
	<u>\$ 1,535,408</u>	<u>\$ 3,661,803</u>	<u>\$ 206,342</u>	<u>\$ 4,990,869</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. Long-Term Obligations – Continued:

B. Proprietary Fund Type Long-Term Obligations – Continued

Description of Proprietary Fund Type Long-Term Obligations:

Note Payable – Riverside National Bank of Florida, 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	\$ 28,592
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.7% per annum (Phase 1) and 2.8% per annum (Phase 2), payable in semiannual principal and interest payments of \$43,025 on November 15 and May 15 through May 15, 2024, uncollateralized	1,107,292
Note Payable – Riverside National Bank of Florida, 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	30,860
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.05% per annum, payable in semiannual principal and interest payments of \$9,527 on January 15 and July 15 commencing January 15, 2010 through July 15, 2029, uncollateralized	211,803
Revenue Note – Florida Rural Utility Financing Commission, interest of 4.2% per annum, semiannual payments of interest only on July 1 and January 1 through January 1, 2011 at which time the note becomes due in full, collateralized by a pledge of grant revenues under the State of Florida	3,450,000
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>162,322</u>
	<u>\$ 4,990,869</u>

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

Fiscal Year	Proprietary Fund Type		Total Debt Service
	Principal	Interest	
2009	\$ 165,672	\$ 182,570	\$ 348,242
2010	119,273	187,156	306,429
2011	3,578,894	105,085	3,683,979
2012	80,657	29,750	110,407
2013	77,973	27,132	105,105
2014 – 2018	421,791	103,734	525,525
2019 – 2023	462,304	45,177	507,481
2024	<u>84,305</u>	<u>1,747</u>	<u>86,052</u>
	<u>\$ 4,990,869</u>	<u>\$ 682,351</u>	<u>\$ 5,673,220</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. Long-Term Obligations – Continued:

B. Proprietary Fund Type Long-Term Obligation – Continued

The present value of future minimum lease payments under the capital lease at September 30, 2008 is as follows:

Total payments required	\$ 174,113
Less amount representing interest	<u>(11,791)</u>
Present value of future minimum lease payments	<u>\$ 162,322</u>

Equipment under the capital lease is \$153,967 and is included in capital assets, net of accumulated depreciation of \$17,108.

Interest costs incurred in enterprise funds during construction are capitalized, net of interest income from the proceeds of related tax-exempt debt, as part of the cost of the related assets of the water and wastewater fund. Interest income used to offset interest costs was \$78,298 for the year ended September 30, 2008. Total interest cost incurred in the water and wastewater fund was \$199,151 for the year ended September 30, 2008. Interest capitalized was \$21,120 and interest expensed was \$99,733.

C. Disclosure of Legal Debt Margin

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

10. Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained insurance from commercial underwriters for all the aforementioned risks, including workers' compensation for the year ended September 30, 2008.

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

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

11. Commitments and Contingencies:

A. Litigation and Other Matters

During the ordinary course of its operations, the Town is party to various claims, legal actions, 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 2008 dollars.

The Town has entered into a contract for construction of a new municipal services complex for \$10.5 million. As of September 30, 2008, the contract was approximately 65% complete.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

11. Commitments and Contingencies – Continued:

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, 2008, these payments totaled \$583,703 and \$5,871, respectively. The Town anticipates that the mitigation obligation will be phased out under a plan being developed by Miami-Dade County which is expected to be resolved in fiscal year 2011.

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.

D. Grant Expenditures

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

12. Other Required Individual Fund Disclosures:

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

A. Interfund Transactions and Balances

Individual fund interfund receivable and payable balances at September 30, 2008 were:

Fund:	Interfund Receivables	Interfund Payables
Governmental funds:		
General fund	\$ 1,813,693	\$ 77,585
Special revenue fund	-	11,146
Enterprise funds:		
Water and wastewater fund	125,439	1,702,508
Stormwater utility fund	77,585	125,439
Medley lakeside retirement park fund	-	19,750
Police gun range fund	-	80,289
	\$ 2,016,717	\$ 2,016,717

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 12(B).

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

12. Other Required Individual Fund Disclosures – Continued:

A. Interfund Transactions and Balances – Continued

Interfund transfers for the year ended September 30, 2008 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Medley lakeside retirement park fund	\$ <u> -</u>	\$ <u> 145,000</u>
Medley Lakeside Retirement Park Fund:		
General fund	<u> 145,000</u>	<u> -</u>
	<u>\$ 145,000</u>	<u>\$ 145,000</u>

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

B. Long-Term Interfund Balance

A promissory note 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, 2008 was \$1,293,635.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 160,180	\$ 37,218	\$ 197,398
2010	221,148	42,049	263,197
2011	230,127	33,069	263,196
2012	239,471	23,725	263,196
2013	249,195	14,001	263,196
2014	<u> 193,514</u>	<u> 3,883</u>	<u> 197,397</u>
	<u>\$ 1,293,635</u>	<u>\$ 153,945</u>	<u>\$ 1,447,580</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

13. Fund Balance:

The Town’s fund balances are as follows at September 30, 2008:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Reserved for advances to enterprise funds	\$ 1,293,635	\$ -	\$ 1,293,635
Reserved for law enforcement	460,654	-	460,654
Reserved for transportation	153,808	-	153,808
Reserved for prepaid expenditures	1,544,173	-	1,544,173
Reserved for Foundation activities	-	214,995	214,995
Total reserved	<u>3,452,270</u>	<u>214,995</u>	<u>3,667,265</u>
Unreserved:			
Designated for:			
Municipal service complex	3,000,000	-	3,000,000
Pension	3,000,000	-	3,000,000
Working capital	2,100,000	-	2,100,000
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>2,179,749</u>	<u>-</u>	<u>2,179,749</u>
Total fund balance	<u>\$ 14,232,019</u>	<u>\$ 214,995</u>	<u>\$ 14,447,014</u>

14. Subsequent Events:

A. Pension Trust Funds

Subsequent to year end, the stock market experienced declines averaging 15% and 16% for the funds in which pension assets are invested for the general employees pension and police officers’ retirement plans, respectively. This decline could have a material future impact on the Town’s annual required contribution and the fiscal year 2009 funding may be less than it would be if the market declines were taken in to account.

Subsequent to year end, the Town Council approved an increase of the retirement benefit for the Police Officers’ Retirement Plan in accordance with the collective bargaining agreement below. Additionally, the Town Council approved an increase of the retirement benefit for the General Employees Pension Plan.

B. Collective Bargaining Agreement

Subsequent to year end, the Town ratified a collective bargaining agreement for sworn police officers effective October 1, 2008 through September 30, 2011.

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.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

14. Subsequent Events – Continued:

C. Property Tax Amendment – Continued

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, 2008

	Original and Final Budget	Actual	Variance with Final Budget – Over (Under)
Revenues:			
Ad valorem taxes	\$ 9,907,117	\$ 9,763,896	\$ (143,221)
Utility taxes	1,226,000	1,084,135	(141,865)
Other general taxes	1,160,000	918,403	(241,597)
Intergovernmental	991,000	676,759	(314,241)
Permits, fees and licenses	2,144,000	3,017,211	873,211
Fines and forfeitures	75,000	156,972	81,972
User charges	-	84,043	84,043
Miscellaneous	365,000	795,327	430,327
Total revenues	<u>15,868,117</u>	<u>16,496,746</u>	<u>628,629</u>
Expenditures:			
Current operating:			
General government	7,340,517	6,728,352	(612,165)
Public safety	4,413,140	4,274,831	(138,309)
Physical environment	711,445	693,548	(17,897)
Human services	735,061	770,538	35,477
Culture and recreation	719,813	662,382	(57,431)
Capital outlay	10,965,000	9,019,304	(1,945,696)
Debt service	300,000	92,219	(207,781)
Total expenditures	<u>25,184,976</u>	<u>22,241,174</u>	<u>(2,943,802)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,316,859)</u>	<u>(5,744,428)</u>	<u>3,572,431</u>
Other Financing Sources (Uses):			
Proceeds from issuance of debt	7,500,000	4,704,365	(2,795,635)
Transfers in	500,000	-	(500,000)
Transfers out	(227,260)	(145,000)	82,260
Total other financing sources (uses)	<u>7,772,740</u>	<u>4,559,365</u>	<u>(3,213,375)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(1,544,119)	(1,185,063)	359,056
Fund Balances, Beginning of Year	<u>15,417,082</u>	<u>15,417,082</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 13,872,963</u>	<u>\$ 14,232,019</u>	<u>\$ 359,056</u>

TOWN OF MEDLEY, FLORIDA

DEFINED BENEFIT PENSION TRUST FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2008

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%	\$ 2,284,596	202.1%
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%
<u>Police Officers' Retirement Fund:</u>						
October 1, 2008*	\$ 5,188,928	\$ 12,479,015	\$ 7,290,087	41.6%	\$ 2,411,734	302.3%
October 1, 2006	2,275,247	6,415,106	4,139,859	35.5%	2,183,767	189.6%
October 1, 2005	-	6,142,903	6,142,903	-%	1,878,695	327.8%

* The Board of the Police Officers' Retirement Fund has engaged an actuary to perform biannual actuarial valuations beginning October 1, 2008. No actuarial valuation was performed for the year beginning October 1, 2007.

B. Schedules of Employer Contributions:

	Required Contribution	Percentage Contributed	Net Pension Obligation
<u>General Employees Pension Fund:</u>			
From October 1, 2007 through September 30, 2008	\$ 1,078,125	135%	\$ (958,031)
From October 1, 2006 through September 30, 2007	1,061,492	141%	(584,952)
From October 1, 2005 through September 30, 2006	980,260	148%	(159,540)
<u>Police Officers' Retirement Fund:</u>			
From October 1, 2007 through September 30, 2008	\$ 1,289,507	128%	\$ (332,994)
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%	-

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

Year Ended September 30, 2008

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, 2008
Actuarial cost method	Aggregate	Aggregate
Amortization method	N/A	N/A
Amortization period	N/A	N/A
Actuarial asset valuation method	Fair market value	Four year smooth
Actuarial assumptions:		
Investment rate of return	7%, pre-retirement, 6%, post-retirement	8%
Projected salary increases	Variable	Variable
Inflation	3%	2.5%
Cost-of-living adjustments	Change in price index	N/A

OTHER PROPRIETARY FUNDS

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

Medley Lakeside Retirement Park Fund

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

Police Gun Range Fund

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

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

September 30, 2008

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	\$ 2,170	\$ 145,298	\$ 147,468
Investments	-	52,662	52,662
Receivables, net	-	72,830	72,830
Prepaid expenses	<u>7,922</u>	<u>-</u>	<u>7,922</u>
Total current assets	10,092	270,790	280,882
Capital Assets, net	<u>169,666</u>	<u>108,779</u>	<u>278,445</u>
TOTAL ASSETS	<u>179,758</u>	<u>379,569</u>	<u>559,327</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	11,739	8,899	20,638
Due to other funds	19,750	80,289	100,039
Compensated absences	<u>-</u>	<u>3,970</u>	<u>3,970</u>
TOTAL CURRENT LIABILITIES	<u>31,489</u>	<u>93,158</u>	<u>124,647</u>
NET ASSETS			
Unrestricted	<u>148,269</u>	<u>286,411</u>	<u>434,680</u>
TOTAL NET ASSETS	<u>\$ 148,269</u>	<u>\$ 286,411</u>	<u>\$ 434,680</u>

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

Year Ended September 30, 2008

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Operating Revenues:			
User charges	\$ 157,980	\$ 263,980	\$ 421,960
Total operating revenues	<u>157,980</u>	<u>263,980</u>	<u>421,960</u>
Operating Expenses:			
Salaries, wages and employee benefits	54,378	132,398	186,776
Contractual services, materials, and supplies	248,211	93,526	341,737
Depreciation and amortization	25,529	15,242	40,771
Total operating expenses	<u>328,118</u>	<u>241,166</u>	<u>569,284</u>
Operating Income (Loss)	<u>(170,138)</u>	<u>22,814</u>	<u>(147,324)</u>
Non-Operating Revenues:			
Interest income	575	5,650	6,225
Total non-operating revenues	<u>575</u>	<u>5,650</u>	<u>6,225</u>
Income (Loss) Before Other Revenues and Transfers	<u>(169,563)</u>	<u>28,464</u>	<u>(141,099)</u>
Other Revenues and Transfers:			
Transfers in	145,000	-	145,000
Total other revenues and transfers	<u>145,000</u>	<u>-</u>	<u>145,000</u>
Net Income (Loss)	(24,563)	28,464	3,901
Net Assets, Beginning of Year	<u>172,832</u>	<u>257,947</u>	<u>430,779</u>
Net Assets, End of Year	<u>\$ 148,269</u>	<u>\$ 286,411</u>	<u>\$ 434,680</u>

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

Year Ended September 30, 2008

	<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	\$ 157,980	\$ 237,210	\$ 395,190
Payments to suppliers	(260,299)	(91,017)	(351,316)
Payments to employees	(54,378)	(133,751)	(188,129)
Net cash provided by (used in) operating activities	<u>(156,697)</u>	<u>12,442</u>	<u>(144,255)</u>
Cash Flows From Noncapital Financing Activities:			
Transfers from other funds	145,000	-	145,000
Proceeds from operating grants	3,028	3,444	6,472
Change in due from/to other funds	12,171	99,554	111,725
Net cash provided by noncapital financing activities	<u>160,199</u>	<u>102,998</u>	<u>263,197</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(5,694)	(41,419)	(47,113)
Net cash used in capital and related financing activities	<u>(5,694)</u>	<u>(41,419)</u>	<u>(47,113)</u>
Cash Flows From Investing Activities:			
Purchase of investment	-	(2,662)	(2,662)
Interest income received	575	5,650	6,225
Net cash provided by investing activities	<u>575</u>	<u>2,988</u>	<u>3,563</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,617)	77,009	75,392
Cash and Cash Equivalents, Beginning of Year	<u>3,787</u>	<u>68,289</u>	<u>72,076</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,170</u>	<u>\$ 145,298</u>	<u>\$ 147,468</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:			
Operating loss	\$ (170,138)	\$ 22,814	\$ (147,324)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	25,529	15,242	40,771
Changes in:			
Receivables	-	(26,770)	(26,770)
Prepaid expenses	(305)	-	(305)
Accounts payable and accrued liabilities	(11,783)	2,509	(9,274)
Compensated absences	-	(1,353)	(1,353)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (156,697)</u>	<u>\$ 12,442</u>	<u>\$ (144,255)</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, 2008, which collectively comprise the Town of Medley, Florida's basic financial statements and have issued our report thereon dated May 20, 2009. 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Medley, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Medley, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 financial statements that is more than inconsequential will not be prevented or detected by the Town of Medley, Florida's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses (items A1, A2, B3, C6, D, E, F, I) 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 C6, D1 and H).

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 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 our 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

May 20, 2009

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 permit, fee and license and noted the following:

1. In five instances out of five selected, electrical permit fees were not calculated in accordance with the approved fee schedule.
2. In two instances out of five selected, plumbing permit fees were not calculated in accordance with the approved fee schedule.
3. In one instance out of five selected, we noted that a business did not have a local business tax receipt with the Town.
4. Subsidiary ledgers for permitting and licensing functions do not interface with the general ledger. Reports cannot be generated that reconcile amounts recorded in the general ledger to amounts recorded by the permitting and licensing department. Additionally, the system numbers local business tax receipts sequentially upon issuance, but in 117 instances, internally generated system numbers 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 local business tax receipts.

Management's Response:

The permit fee schedule is complicated and detailed and permit fees are being calculated manually. Errors when discovered are corrected and the permit fee adjusted.

In 2009, the Town purchased and will implement an automated permit fee program which will calculate the fees in accordance with the Town's current permit fee structure. In addition, the Town is reviewing its current permit fee structure and studying ways to simplify it.

The Town will consider setting up a task force, similar to one that was in place 3 years ago, whereby Town personnel will canvass each business located within the Town's municipal boundaries and insure that they are operating with a business tax receipt.

The Town will implement computer software whereby permitting and local business tax receipt subsidiary ledgers will reconcile to the general ledger. In addition, the software will have the capability of accounting for each sequential local business tax receipt issued.

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 three instances, direct deposit authorization in one 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. In two instances, no time card supporting hours worked was available. In four instances, there was no department head approval on time card.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

B. Payroll and Compensated Absence Items – Continued:

Recommendation:

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

Management's Response:

There are certain Police Officers' who refuse to sign the Town's drug-free workforce form. Their union contract contains a drug-free workforce clause which these officers' believe is sufficient to address this issue.

The Town will consider implementing a written take home vehicle policy for other than police department employees. The police department has a written policy in place. Subsequent to year end, a written policy has been put in place for Town issued cell phones.

The take home vehicle listing has been updated to reflect all vehicle use changes made during the year. The Town will implement a policy whereby there is a timely reporting of changes.

Employees who earn comp-time must get approval from their department head before they work the overtime hours. Additionally, the reason for their overtime work must be clearly documented. A final review procedure will be implemented before comp-time earnings will be posted.

All employees must clock in and out during their workday. There are certain police officers who have a habit of forgetting to use the time clock. This deficiency is mitigated by the fact that all police officers' must report for a roll call before each shift. Their attendance is recorded at that time. Therefore, even if the time card is incomplete the Town does have a record of each officer's attendance.

The Town will consult with its outside labor attorneys to establish new payroll procedures and strengthen existing payroll procedures in accordance with Town ordinances, resolutions and labor contracts.

C. Other Internal Control Items:

1. Travel and Entertainment Reimbursements:

Finding:

In many instances there was no supporting documentation for amounts claimed for reimbursement or for amounts charged to Town issued credit cards.

Recommendation:

We recommend that all employees use a standardized form. Further, we recommend that all employees' expense reports be reviewed and approved prior to reimbursement and that adequate substantiation documentation be received before reimbursement occurs.

Management's Response:

There is a standardized form in place which should be used for all employee travel and entertainment reimbursement requests. There may have been instances where this form was not used for the reimbursement request; however no reimbursements were made without some form of documentation justifying the business purpose of the reimbursement request. We will consider implementing an additional approval procedure for all business travel and entertainment reimbursement requests.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

C. Other Internal Control Items – Continued:

2. Control Documents:

Finding:

Prenumbered blank checks are not stored in a locked filing cabinet or safe.

Recommendation:

We recommend that the Town lock unused checks.

Management's Response:

A safe has been purchased whereby unused checks will be stored.

3. Grant Administration:

Finding:

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

Recommendation:

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

Management's Response:

Finance Department personnel will review all grant reimbursement requests and reconcile such requests to the general ledger. At this time, the Town does not believe that a centralized grant administrator is cost effective.

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

Management's Response:

A centralized purchasing department will be considered.

Town employees should not and are not encouraged to individually purchase items on behalf of the Town. However, there are instances where an individual has been given permission to purchase an item on behalf of the Town. These are usually emergency time sensitive purchases with prior authorization.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

C. Other Internal Control Items – Continued:

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:

The Town will consider implementing a centralized cash receipt function.

Improvements will be made to the receipt of permit fees and local business tax receipts through the implementation of new software, see A. above. We believe there are sufficient controls in place over the cash receipts of all utility payments.

As of this writing, the Town does not accept credit cards payments for its services. We are in the process of reviewing various credit card options and will begin accepting credit cards payments before the end of the 2009 calendar year. This process will immediately put in place controls which will improve internal control over the cash receipts function.

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:

Budget constraints limit the number of personnel needed to insure a segregation of duties in the accounting, administration and financial reporting functions. The involvement of the Mayor and Councilpersons help mitigate the lack of segregation of duties in these functions.

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.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

D. Capital Asset Items – Continued:

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 purchased fixed asset software which has the capability of recording and tracking capital assets and infrastructure. This software will integrate with the general ledger. Budgetary and time constraints have not allowed the implementation of this software. The fixed assets are now being tracked on a separate database.

A physical inventory of furniture, fixtures and light equipment was taken during fiscal year 2008. This inventory was taken for insurance purposes and included many smaller items which were not initially capitalized. A complete inventory of heavy equipment will be taken either at the end of fiscal year 2009 or the beginning of fiscal year 2010. A reconciliation to the general ledger will be made. Please note major asset disposals are recorded timely in the financial records.

The Town is working on obtaining title to all infrastructure assets. This is a multi-year project which should be completed in 2010.

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 17% for the year ended September 30, 2008.

Recommendation:

We still believe that a loss of 17% 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 for meter misreading.

Management's Response:

The Town's unaccounted for water losses have been a major issue for a number of years. Water losses occur when water purchased from Miami-Dade County is greater than water sold by the Town to its customers. A well run water utility will have unaccounted for water losses of 10% or less, which is the Town's stated goal. In prior years, the Town's water losses have run as high as 40%. Fiscal year 2008 saw an improvement to 17%.

A water loss prevention program is in place. System wide, water meters and/or registers are being tested for accuracy and replaced. An inaccurate water meter will almost always record less water than more, thus the reading will show less water sold than actual. In addition, the Town is working closely with its water billing software vendor to reduce billing errors and reduce differences between the billing system readings and the water meter radio readings system. These differences almost always recorded less water consumption than the actual amount consumed.

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.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

F. Stormwater Utility Items – Continued:

Recommendation:

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

Management's Response:

A consultant engineer is currently engaged in re-measuring each property within the boundaries of the Town. They are measuring for the impervious area and ERU's. This is an on-going project which is estimated to be completed in 2010. As a result of the consultants, completed work, updates, corrections and adjustments have been made to the calculations made previously by Miami-Dade County.

G. Benefit Plan Items:

Finding:

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

Recommendation:

We recommend the Town take immediate corrective action regarding the participant loan program.

Management's Response:

By the end of calendar year 2008, all delinquent pension loans have been defaulted and declared distributed through the issuance of Form 1099R. Employees who have defaulted on loans will no longer be able to take out new loans unless they cure previously defaulted loans.

H. Financial Reporting:

Finding:

Reconciliations between governmental fund expenditures for capital outlay and debt service to accounting records for capital assets and long-term obligations are not performed timely.

Financial statements are not presented periodically to the Mayor or Town Council for review and approval.

Recommendation:

We recommend the Town hire a professional accounting assistant to help the finance director. Further, we recommend that balance sheet accounts are reconciled monthly and capital outlay and debt service transactions be recorded timely and correctly.

Management's Response:

Interim financial reports are prepared on a monthly basis by the Finance Director. They are reviewed by the Mayor and Attorney on a quarterly basis. We will begin presenting these reports to the rest of the Town Council on at least a quarterly basis.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

I. Information Technology:

1. IT functions are centralized in one individual who is not an employee of the Town.
2. There are no IT guidelines in place to evaluate compliance with IT policies and procedures.
3. The Town does not have a formal disaster recovery plan for electronic data in the event of loss of data.

Recommendation:

We recommend management explore the costs and benefits of developing an in house IT department. Also, we recommend the Town implement a disaster recovery plan for the restoration of lost electronic and financial data in the event of a disaster.

Management's Response:

Although the IT function remains with one person, his work is supervised by a number of department heads. The current IT person is an outside consultant who has worked with the Town for many years. This person has the knowledge and experience needed to maintain our IT environment. We will consider the development of an in house IT department, however at this time we believe the Town is better served by the services of this outside consultant.

IT guidelines with policies and procedures will be put in place during the fiscal year ended 2009.

A written disaster recovery plan for the restoration of lost electronic and financial data will be put in place during fiscal year 2009.

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
7. Benefit plan items	Partially implemented
8. Financial reporting	Partially implemented
9. Information technology	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, 2008.
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.