

TOWN OF MEDLEY, FLORIDA
FINANCIAL SECTION AND
SUPPLEMENTARY FINANCIAL REPORTS
COMPLIANCE SECTION
Year Ended September 30, 2009

TOWN OF MEDLEY, FLORIDA

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Independent Auditors' Report

Honorable Mayor and Town Council
Town of Medley, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Medley, Florida (the "Town"), as of and for the year ended September 30, 2009, 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, 2009 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, 2009, 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 April 27, 2010, 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 45 through 47, 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

April 27, 2010

TOWN OF MEDLEY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2009

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, 2009.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$173,783,176 (*net assets*). Of this amount, \$15,382,808 (*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 \$676,840 or by approximately 0.4%. This is comprised of a decrease of \$481,592 in governmental activities and an increase of \$1,158,432 in business-type activities.
- The decrease in governmental activities was due to the new OPEB reporting requirements pronouncement and the related health insurance adjustment, based on the actuarial valuation, which increased the liability and decreased net assets by \$205,000. In addition, due to enhanced benefits, the annual required contribution (ARC) to the Town's two defined benefit pension plans increased by \$543,850.
- The increases from business-type activities were mostly attributable to higher than expected revenues from new services and higher water rates and lower than expected expenses, mostly attributable to lower sewer treatment costs. 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 \$14,176,204, a decrease of \$270,810 in comparison with the prior year. Of this amount \$10,582,414, is *available for spending* at the government's discretion (*unreserved fund balance*) of which \$6,850,000 has been designated for future projects and expenditures, \$3.5 million for pension and other post retirement benefits, \$2.5 million for emergency management and working capital, and \$0.6 million for debt service and continuing education.
- During the year, the Town completed construction on its new Municipal Service Facility.

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 43 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 s 45 through 47 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 49 through 51 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,		September 30,		September 30,			
	2009	2008	2009	2008	2009	2008		
Current assets	\$ 14,220,153	\$ 15,529,183	\$ 7,615,827	\$ 6,227,008	\$ 21,835,980	\$ 21,756,191	\$ 79,789	0.4 %
Noncurrent assets	616,745	614,462	589,139	4,049,111	1,205,884	4,663,573	(3,457,689)	(74.1)
Capital assets, net	<u>141,294,049</u>	<u>138,866,589</u>	<u>21,779,414</u>	<u>21,925,326</u>	<u>163,073,463</u>	<u>160,791,915</u>	<u>2,281,548</u>	<u>1.4</u>
Total assets	<u>156,130,947</u>	<u>155,010,234</u>	<u>29,984,380</u>	<u>32,201,445</u>	<u>186,115,327</u>	<u>187,211,679</u>	<u>(1,096,352)</u>	<u>(0.6)</u>
Long-term liabilities outstanding	8,079,853	5,592,091	1,271,623	4,825,197	9,351,476	10,417,288	(1,065,812)	(10.2)
Other liabilities	<u>919,594</u>	<u>1,805,051</u>	<u>2,061,081</u>	<u>1,883,004</u>	<u>2,980,675</u>	<u>3,688,055</u>	<u>(707,380)</u>	<u>(19.2)</u>
Total liabilities	<u>8,999,447</u>	<u>7,397,142</u>	<u>3,332,704</u>	<u>6,708,201</u>	<u>12,332,151</u>	<u>14,105,343</u>	<u>(1,773,192)</u>	<u>(12.6)</u>
Net assets:								
Investment in capital assets, net of related debt	134,404,218	134,280,723	20,402,360	20,421,404	154,806,578	154,702,127	104,451	0.1
Restricted	3,593,790	3,667,265	-	-	3,593,790	3,667,265	(73,475)	(2.0)
Unrestricted	<u>9,133,492</u>	<u>9,665,104</u>	<u>6,249,316</u>	<u>5,071,840</u>	<u>15,382,808</u>	<u>14,736,944</u>	<u>645,864</u>	<u>4.4</u>
Total net assets	<u>\$ 147,131,500</u>	<u>\$ 147,613,092</u>	<u>\$ 26,651,676</u>	<u>\$ 25,493,244</u>	<u>\$ 173,783,176</u>	<u>\$ 173,106,336</u>	<u>\$ 676,840</u>	<u>0.4 %</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 \$173,783,176 at September 30, 2009, an increase of \$676,840 from the prior fiscal year. This is a less than 1% increase compared to last years' net assets of \$173,106,336.

The largest portion of the Town of Medley, Florida's net assets, \$154,806,578, or 89.1%, 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, \$3,593,790, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$15,382,808, may be used to meet the government's ongoing obligations to residents and creditors.

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

Governmental and business-type activities. Governmental activities decreased the Town of Medley, Florida's net assets by \$481,592, whereas business –type activities increased the Town of Medley, Florida's net assets by \$1,158,432. This resulted in an increase in total net assets of \$676,840 or a less than 1% increase from the prior year.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED

Government-Wide Financial Analysis – Continued

Governmental and business-type activities – continued.

The table below summarizes the statements of activities:

Town of Medley, Florida

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	Year Ended September 30, 2009	2008	Year Ended September 30, 2009	2008	Year Ended September 30, 2009	2008		
Revenues:								
Program revenues:								
Fees, fines and charges for services	\$ 1,532,479	\$ 2,180,259	\$ 6,404,540	\$ 5,873,147	\$ 7,937,019	\$ 8,053,406	\$ (116,387)	(1.4)%
Operating grants and contributions	86,993	124,867	-	5,201	86,993	130,068	(43,075)	(33.1)
Capital grants and contributions	-	308,560	206,653	474,979	206,653	783,539	(576,886)	(73.6)
General revenues:								
Ad valorem taxes	10,855,465	9,763,896	-	-	10,855,465	9,763,896	1,091,569	11.2
Utility taxes	1,033,395	1,084,135	-	-	1,033,395	1,084,135	(50,740)	(4.7)
Franchise fees	1,109,483	1,266,673	-	-	1,109,483	1,266,673	(157,190)	(12.4)
Other general taxes	790,212	733,231	-	-	790,212	733,231	56,981	7.8
Intergovernmental	207,284	243,332	-	-	207,284	243,332	(36,048)	(14.8)
Investment earnings	353,209	678,800	190,447	272,158	543,656	950,958	(407,302)	(42.8)
Other	68,556	259,570	-	-	68,556	259,570	(191,014)	(73.6)
Internal activity:								
Transfers	(158,000)	(145,000)	158,000	145,000	-	-	-	0.0
Total revenues and transfers	<u>15,879,076</u>	<u>16,498,323</u>	<u>6,959,640</u>	<u>6,770,485</u>	<u>22,838,716</u>	<u>23,268,808</u>	<u>(430,092)</u>	<u>(1.8)</u>
Expenses:								
General government	8,586,953	8,385,240	-	-	8,586,953	8,385,240	201,713	1.7
Public safety	5,203,151	4,455,700	-	-	5,203,151	4,455,700	747,451	16.8
Physical environment	724,477	683,211	-	-	724,477	683,211	41,266	6.0
Human services	878,471	821,068	-	-	878,471	821,068	57,403	7.0
Culture and recreation	748,799	754,595	-	-	748,799	754,595	(5,796)	(0.8)
Interest	218,817	73,720	94,954	107,543	313,771	181,263	132,508	73.1
Water and wastewater	-	-	4,019,155	4,045,264	4,019,155	4,045,264	(26,109)	(0.6)
Stormwater utility	-	-	1,106,774	1,186,708	1,106,774	1,186,708	(79,934)	(6.7)
Medley retirement park	-	-	330,968	328,118	330,968	328,118	2,850	0.9
Police gun range	-	-	249,357	241,166	249,357	241,166	8,191	3.4
Total expenses	<u>16,360,668</u>	<u>15,173,534</u>	<u>5,801,208</u>	<u>5,908,799</u>	<u>22,161,876</u>	<u>21,082,333</u>	<u>1,079,543</u>	<u>5.1</u>
Increase (Decrease) in Net Assets	(481,592)	1,324,789	1,158,432	861,686	676,840	2,186,475	(1,509,635)	(69.0)
Net Assets, beginning 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>
Net Assets, end of year	<u>\$ 147,131,500</u>	<u>\$ 147,613,092</u>	<u>\$ 26,651,676</u>	<u>\$ 25,493,244</u>	<u>\$ 173,783,176</u>	<u>\$ 173,106,336</u>	<u>\$ 676,840</u>	<u>0.4%</u>

Governmental activities. Governmental activities decreased the Town’s net assets by \$481,592. The decrease was due to the following changes from the prior year’s activities:

- A decrease in charges for services of \$647,780, which includes building permits and waste host fees.
- A decrease in operating and capital grants of \$346,434.
- Ad valorem taxes increased by \$1,091,569, or 11.2% from the previous year. This was due to an increase in assessed property values by Miami-Dade County Property Appraisers’ Office. However, the Town’s millage rate decreased to a rate of 5.7000 mills from the prior year rate of 5.7513 mills.
- A decrease in utility taxes and franchise fees of \$207,930.
- A decrease in investment earnings of \$325,591.
- An increase from the prior year in total expenses of \$1,187,134 consisted of the following: An increase due to the new GASB 45 pronouncement and the health insurance adjustment, based on actuarial valuation, which increased the liability and decreased the total net assets by \$205,000; An increase in benefits to the Town’s two defined benefit plans, which increased the ARC by \$543,850; An increase in interest expense of \$145,097 attributable to the debt service on the new Municipal Service Facility; An increase of \$74,867 in the mitigation expense the Town pays to Miami-Dade County for recently annexed lands.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

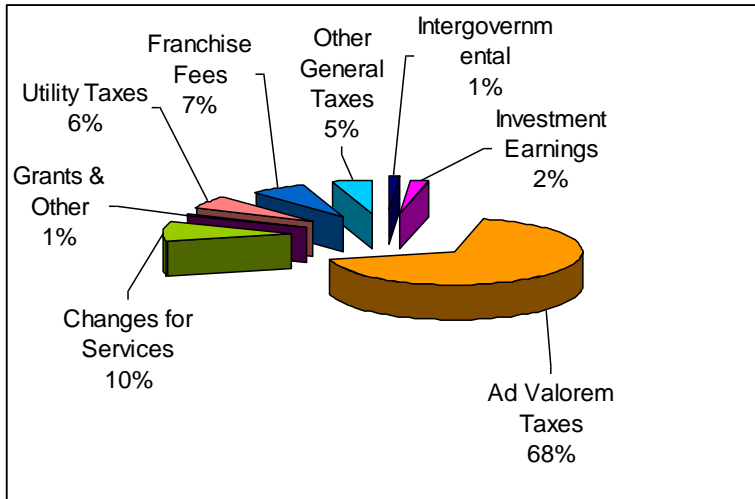
Government-Wide Financial Analysis – Continued

Governmental activities – continued.

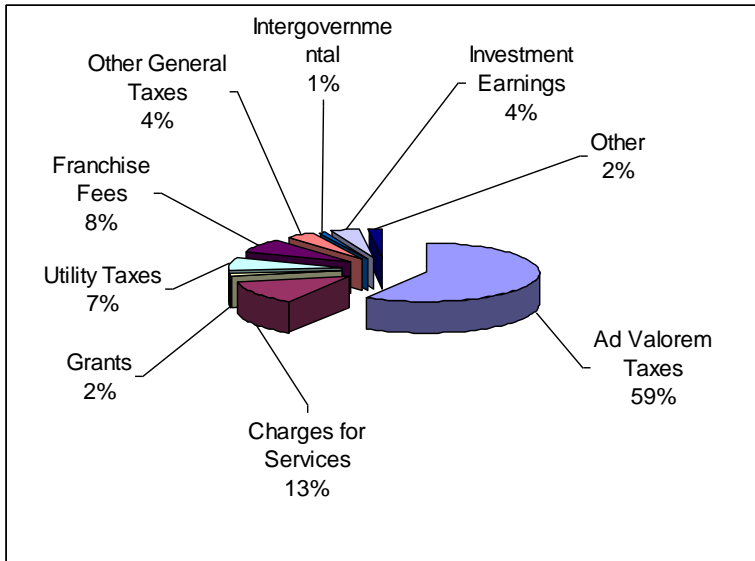
The following chart shows the amounts of program and general revenues for fiscal years 2009 and 2008:

Revenues by Source – Governmental Activities
For the Years Ended September 30, 2009 and 2008, respectively

2009



2008



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 \$1,158,432, thereby accounting for 171.2% of the total growth in the net assets of the Town.

Key elements of these activities are as follows:

- An increase in water rates and the addition of new customers to the stormwater utility resulted in additional charges for services of \$531,393. In addition, stormwater customer data was adjusted to more accurately reflect the impervious and pervious square footage of each parcel.
- Decreases in capital and operating grants and in investment earnings.
- A decrease in the sewer treated with Miami Dade County, as a result of improvements made to the wastewater system, resulted in savings of \$496,963.
- There was a transfer from the general fund to the Medley lakeside retirement park of \$158,000. This is recorded as revenue in the Medley lakeside retirement park fund. The Medley lakeside retirement park fund continues to experience operating losses due to the fact that land rents collected from residents do not cover operating expenses. The Medley Town Council has directed that the general fund continue to support the retirement park's operations as needed.
- Capital contributions from the developers consisting of water and sewer infrastructure increased the net assets by \$59,477.

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 \$14,176,204, a decrease of \$270,810 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. During the current fiscal year the general fund used \$555,592 of its own reserves (an outflow of spendable resources) to fund this construction project. In addition, due to enhanced benefits, the Town's annual required contribution to the two defined benefit pension plans increased from the previous fiscal year by \$543,850.

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 \$10,582,414. 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 56.8% of total general fund expenditures.

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

The total growth in net assets for all enterprise fund statements was \$1,158,432. 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 final budgetary amounts.

- Actual ad valorem collections were higher than budgeted because of lower than expected value adjustments.
- State and local-shared revenues were lower than budgeted due to the current economic conditions that are currently affecting the nation. Sales tax revenue, communication service tax revenue, and other revenue have been greatly affected since it is based on consumer spending.
- Fines and forfeitures were higher than budgeted. Budgeted amounts for this revenue source are based on prior experience and amounts can vary significantly from year to year.
- Government grants and other revenues were higher than budgeted amounts in the current fiscal year due to the fact that most grants are not budgeted since they are based on requests for reimbursement. Although grants were awarded to the Town, the Town cannot determine the amount that will be requested for reimbursement until the related expenses are incurred.
- Included in miscellaneous revenues is interest on investments, although lower than last year, is higher than budgeted.
- The Town’s departments were efficient in staying under budgeted amounts by a total of \$498,711 savings in actual expenditures when compared to budgeted amounts. This was due to vacant positions not being filled, limiting the amount of over-time worked, offsetting higher health insurance premiums with greater deductibles, and co-pays.
- Capital outlay was higher than budgeted due to the delay in the construction of the new Municipal Service Facility. Construction started in December 2007 and was completed in March 2009.

Additional information on budgetary comparisons between the final budget and actual results can be found on 45 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, 2009, amounts to \$163,073,463 (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 completed 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 table below summarized the investment in capital assets:

Town of Medley, Florida

Capital Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	Total % Change
	September 30, 2009	2008	September 30, 2009	2008	September 30, 2009	2008		
Land	\$ 3,524,975	\$ 3,371,767	\$ 728,478	\$ 728,478	\$ 4,253,453	\$ 4,100,245	\$ 153,208	3.7 %
Construction in progress	385,711	8,657,508	945,945	374,904	1,331,656	9,032,412	(7,700,756)	(85.3)
Buildings and improvements	13,954,101	2,367,186	1,109,887	1,061,722	15,063,988	3,428,908	11,635,080	339.3
Infrastructure	142,226,629	142,215,363	-	-	142,226,629	142,215,363	11,266	0.0
Machinery, equipment and vehicles	4,202,943	3,505,199	2,615,460	2,492,692	6,818,403	5,997,891	820,512	13.7
Water and wastewater systems	-	-	20,541,962	20,541,962	20,541,962	20,541,962	-	0.0
Stormwater systems	-	-	6,606,902	6,606,902	6,606,902	6,606,902	-	0.0
Total	164,294,359	160,117,023	32,548,634	31,806,660	196,842,993	191,923,683	4,919,310	2.6
Accumulated depreciation	(23,000,310)	(21,250,434)	(10,769,220)	(9,881,334)	(33,769,530)	(31,131,768)	(2,637,762)	8.5
	<u>\$ 141,294,049</u>	<u>\$ 138,866,589</u>	<u>\$ 21,779,414</u>	<u>\$ 21,925,326</u>	<u>\$ 163,073,463</u>	<u>\$ 160,791,915</u>	<u>\$ 2,281,548</u>	<u>1.4 %</u>

Additional information on the Town of Medley, Florida’s capital assets can be found in Note 4 on pages 29 through 31 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 \$8,543,782 in notes outstanding versus \$9,807,142 last year. New debt acquired amounted to \$2,491,738 which principally consists of amounts for construction of the new Municipal Service Facility. Repayments amounted to \$3,755,098. Included in long-term obligations of the governmental fund type is \$966,576 in accrued compensated absence liabilities and \$205,449 in accrued other post employment benefits liabilities. Additional information on the Town of Medley, Florida's long-term debt can be found in Note 9 on pages 37 to 40 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 \$868,314 of their unreserved fund balance for spending in the 2010 fiscal year budget.

The operating millage for the fiscal year ending September 30, 2010 is stated at 5.65 mills. This represents a 1.48 % increase over the rolled back rate but a decrease from the 2009 millage rate of 7.5 mills.

Effective October 1, 2009, Miami-Dade County increased the water rates it charges the Town by 45%. 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 2010 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, 2009

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 2,410,591	\$ 3,952,414	\$ 6,363,005
Investments	7,307,261	4,669,313	11,976,574
Receivables, net	865,600	883,893	1,749,493
Internal balances	1,915,294	(1,915,294)	-
Prepaid expenses	1,721,407	25,501	1,746,908
 Restricted assets:			
Cash and cash equivalents	616,745	281,094	897,839
Investments	-	287,475	287,475
Total restricted assets	616,745	568,569	1,185,314
 Capital assets:			
Capital assets not being depreciated	103,804,899	1,674,423	105,479,322
Capital assets being depreciated, net	37,489,150	20,104,991	57,594,141
Total capital assets	141,294,049	21,779,414	163,073,463
 Other assets, net	-	20,570	20,570
 TOTAL ASSETS	156,130,947	29,984,380	186,115,327
LIABILITIES			
 Liabilities:			
Accounts payable and accrued liabilities	361,087	1,302,514	1,663,601
Deferred revenue	299,607	133,979	433,586
Liabilities payable from restricted assets	-	519,157	519,157
Notes payable:			
Due within one year	258,900	105,431	364,331
Due after one year	8,079,853	1,271,623	9,351,476
Total notes payable	8,338,753	1,377,054	9,715,807
 TOTAL LIABILITIES	8,999,447	3,332,704	12,332,151
NET ASSETS			
 Investment in capital assets, net of related debt	134,404,218	20,402,360	154,806,578
Restricted	3,593,790	-	3,593,790
Unrestricted	9,133,492	6,249,316	15,382,808
 TOTAL NET ASSETS	\$ 147,131,500	\$ 26,651,676	\$ 173,783,176

See accompanying notes.

TOWN OF MEDLEY, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended September 30, 2009

Functions/Programs	Total Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 8,586,953	\$ 1,186,328	\$ 70,074	\$ -	\$ (7,330,551)	\$ -	\$ (7,330,551)
Public safety	5,203,151	346,151	16,919	-	(4,840,081)	-	(4,840,081)
Physical environment	724,477	-	-	-	(724,477)	-	(724,477)
Human services	878,471	-	-	-	(878,471)	-	(878,471)
Culture and recreation	748,799	-	-	-	(748,799)	-	(748,799)
Interest on long-term obligations	218,817	-	-	-	(218,817)	-	(218,817)
Total governmental activities	<u>16,360,668</u>	<u>1,532,479</u>	<u>86,993</u>	<u>-</u>	<u>(14,741,196)</u>	<u>-</u>	<u>(14,741,196)</u>
Business-Type Activities:							
Water and wastewater utility	4,107,786	4,457,578	-	59,477	-	409,269	409,269
Stormwater utility	1,113,097	1,546,097	-	147,176	-	580,176	580,176
Medley lakeside retirement park	330,968	160,245	-	-	-	(170,723)	(170,723)
Police gun range	249,357	240,620	-	-	-	(8,737)	(8,737)
Total business-type activities	<u>5,801,208</u>	<u>6,404,540</u>	<u>-</u>	<u>206,653</u>	<u>-</u>	<u>809,985</u>	<u>809,985</u>
	<u>\$ 22,161,876</u>	<u>\$ 7,937,019</u>	<u>\$ 86,993</u>	<u>\$ 206,653</u>	<u>(14,741,196)</u>	<u>809,985</u>	<u>(13,931,211)</u>
General Revenues:							
Ad valorem taxes					10,855,465	-	10,855,465
Utility taxes					1,033,395	-	1,033,395
Franchise fees					1,109,483	-	1,109,483
Other general taxes					790,212	-	790,212
Intergovernmental					207,284	-	207,284
Investment earnings					353,209	190,447	543,656
Miscellaneous					68,556	-	68,556
Transfers					(158,000)	158,000	-
Total general revenues					<u>14,259,604</u>	<u>348,447</u>	<u>14,608,051</u>
Change in net assets					(481,592)	1,158,432	676,840
Net Assets, Beginning of Year					<u>147,613,092</u>	<u>25,493,244</u>	<u>173,106,336</u>
Net Assets, End of Year					<u>\$ 147,131,500</u>	<u>\$ 26,651,676</u>	<u>\$ 173,783,176</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2009

ASSETS	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 2,205,391	\$ 205,200	\$ 2,410,591
Investments	7,307,261	-	7,307,261
Receivables, net	865,600	-	865,600
Due from other funds	864,856	-	864,856
Prepaid items	1,721,407	-	1,721,407
Restricted assets – cash and cash equivalents	616,745	-	616,745
Advances to other funds	1,081,116	-	1,081,116
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>14,662,376</u>	\$ <u>205,200</u>	\$ <u>14,867,576</u>
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	\$ 361,087	\$ -	\$ 361,087
Deferred revenue	299,607	-	299,607
Due to other funds	-	30,678	30,678
Total liabilities	<u>660,694</u>	<u>30,678</u>	<u>691,372</u>
Fund Equity:			
Fund balance:			
Reserved	3,419,268	174,522	3,593,790
Unreserved:			
Designated	6,850,000	-	6,850,000
Unreserved/undesignated	3,732,414	-	3,732,414
Total fund equity	<u>14,001,682</u>	<u>174,522</u>	<u>14,176,204</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>14,662,376</u>	\$ <u>205,200</u>	\$ <u>14,867,576</u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets:		
Total fund balance – total governmental funds		\$ 14,176,204
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of \$164,294,359, net of accumulated depreciation of \$23,000,310, are not financial resources and, therefore, are not reported in the funds.		141,294,049
Long-term obligations of \$8,338,753 are not due and payable in the current period and are not reported in the funds.		<u>(8,338,753)</u>
Net assets of governmental activities		<u>\$ 147,131,500</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

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

Year Ended September 30, 2009

	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 10,855,465	\$ -	\$ 10,855,465
Utility taxes	1,033,395	-	1,033,395
Other general taxes	974,990	-	974,990
Intergovernmental	294,277	-	294,277
Permits, fees, and licenses	2,111,033	-	2,111,033
Fines and forfeitures	281,396	-	281,396
User charges	61,567	-	61,567
Miscellaneous	414,471	10,482	424,953
Total revenues	<u>16,026,594</u>	<u>10,482</u>	<u>16,037,076</u>
Expenditures:			
Current operating:			
General government	6,902,461	-	6,902,461
Public safety	4,896,496	-	4,896,496
Physical environment	691,821	-	691,821
Human services	833,029	-	833,029
Culture and recreation	632,069	50,955	683,024
Capital outlay	4,274,693	-	4,274,693
Debt service	353,743	-	353,743
Total expenditures	<u>18,584,312</u>	<u>50,955</u>	<u>18,635,267</u>
Deficit of Revenues Over Expenditures	(2,557,718)	(40,473)	(2,598,191)
Other Financing Sources (Uses):			
Proceeds from issuance of debt	2,485,381	-	2,485,381
Transfers out	(158,000)	-	(158,000)
Deficit of Revenues Over Expenditures and Other Financing Sources (Uses)	(230,337)	(40,473)	(270,810)
Fund Balances, Beginning of Year	<u>14,232,019</u>	<u>214,995</u>	<u>14,447,014</u>
Fund Balances, End of Year	<u>\$ 14,001,682</u>	<u>\$ 174,522</u>	<u>\$ 14,176,204</u>
Reserved Fund Balance	\$ 3,419,268	\$ 174,522	\$ 3,593,790
Unreserved Fund Balance:			
Designated fund balance	6,850,000	-	6,850,000
Undesignated fund balance	3,732,414	-	3,732,414
	<u>\$ 14,001,682</u>	<u>\$ 174,522</u>	<u>\$ 14,176,204</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			\$ (270,810)
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 \$4,274,693 exceeded depreciation of \$1,844,943 in the current period.			2,429,750
Change in long-term compensated absences recognized in statement of government activities, not recognized as expenditures.			(82,338)
Change in other post employment benefits liability, not recognized as expenditures			(205,449)
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.			134,926
Increase in note payable financing			(2,485,381)
Other – loss on abandonment of capital assets			(2,290)
Change in net assets of governmental activities			<u>\$ (481,592)</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

September 30, 2009

ASSETS	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Current Assets:				
Cash and cash equivalents	\$ 2,466,168	\$ 1,382,401	\$ 103,845	\$ 3,952,414
Investments	1,318,835	3,274,734	75,744	4,669,313
Receivables, net	707,218	90,063	57,697	854,978
Due from other governments	-	28,915	-	28,915
Due from other funds	142,532	-	-	142,532
Prepaid expenses	-	17,579	7,922	25,501
Total current assets	<u>4,634,753</u>	<u>4,793,692</u>	<u>245,208</u>	<u>9,673,653</u>
Noncurrent Assets:				
Restricted assets:				
Cash and cash equivalents	281,094	-	-	281,094
Investments	287,475	-	-	287,475
Total restricted assets	<u>568,569</u>	<u>-</u>	<u>-</u>	<u>568,569</u>
Capital Assets, net	14,972,425	6,528,084	278,905	21,779,414
Other Assets – Loan Costs, net	20,570	-	-	20,570
Total noncurrent assets	<u>15,561,564</u>	<u>6,528,084</u>	<u>278,905</u>	<u>22,368,553</u>
TOTAL ASSETS	<u>20,196,317</u>	<u>11,321,776</u>	<u>524,113</u>	<u>32,042,206</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	1,171,136	65,324	66,054	1,302,514
Refundable advances	-	133,979	-	133,979
Due to other funds	764,257	171,244	41,209	976,710
Liabilities payable from restricted assets:				
Utility deposits	401,981	-	-	401,981
Deferred developer fees	117,176	-	-	117,176
Current portion of long-term debt	224,150	47,964	-	272,114
Total current liabilities	<u>2,678,700</u>	<u>418,511</u>	<u>107,263</u>	<u>3,204,474</u>
Long-Term Debt, less current portion:				
Notes payable	1,212,069	59,554	-	1,271,623
Advance from other fund	914,433	-	-	914,433
Total long-term debt	<u>2,126,502</u>	<u>59,554</u>	<u>-</u>	<u>2,186,056</u>
TOTAL LIABILITIES	<u>4,805,202</u>	<u>478,065</u>	<u>107,263</u>	<u>5,390,530</u>
NET ASSETS				
Investment in Capital Assets, net of related debt	13,702,889	6,420,566	278,905	20,402,360
Unrestricted	1,688,226	4,423,145	137,945	6,249,316
TOTAL NET ASSETS	<u>\$ 15,391,115</u>	<u>\$ 10,843,711</u>	<u>\$ 416,850</u>	<u>\$ 26,651,676</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

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

Year Ended September 30, 2009

	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Operating Revenues:				
User charges	\$ 4,243,927	\$ 1,539,701	\$ 400,765	\$ 6,184,393
Service and hook-up charges	202,323	-	-	202,323
Miscellaneous other	11,328	6,396	100	17,824
Total operating revenues	<u>4,457,578</u>	<u>1,546,097</u>	<u>400,865</u>	<u>6,404,540</u>
Operating Expenses:				
Salaries, wages and employee benefits	1,252,306	407,286	192,575	1,852,167
Contractual services, materials, and supplies	2,163,501	456,376	340,045	2,959,922
Depreciation and amortization	603,348	243,112	47,705	894,165
Total operating expenses	<u>4,019,155</u>	<u>1,106,774</u>	<u>580,325</u>	<u>5,706,254</u>
Operating Income (Loss)	<u>438,423</u>	<u>439,323</u>	<u>(179,460)</u>	<u>698,286</u>
Non-Operating Revenues (Expenses):				
Grants	-	147,176	-	147,176
Interest income	78,025	108,792	3,630	190,447
Interest expense	(88,631)	(6,323)	-	(94,954)
Total non-operating revenues (expenses)	<u>(10,606)</u>	<u>249,645</u>	<u>3,630</u>	<u>242,669</u>
Income (Loss) Before Other Revenues and Transfers	<u>427,817</u>	<u>688,968</u>	<u>(175,830)</u>	<u>940,955</u>
Other Revenues and Transfers:				
Capital contributions	59,477	-	-	59,477
Transfers in	-	-	158,000	158,000
Total other revenues and transfers	<u>59,477</u>	<u>-</u>	<u>158,000</u>	<u>217,477</u>
Net Income (Loss)	487,294	688,968	(17,830)	1,158,432
Net Assets, Beginning of Year	<u>14,903,821</u>	<u>10,154,743</u>	<u>434,680</u>	<u>25,493,244</u>
Net Assets, End of Year	<u>\$ 15,391,115</u>	<u>\$ 10,843,711</u>	<u>\$ 416,850</u>	<u>\$ 26,651,676</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended September 30, 2009

	Major Funds			Total
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 4,211,771	\$ 1,520,772	\$ 413,898	\$ 6,146,441
Payments to suppliers	(1,902,450)	(452,719)	(299,137)	(2,654,306)
Payments to employees	(1,256,053)	(397,500)	(190,037)	(1,843,590)
Other receipts	11,328	6,396	100	17,824
Net cash provided by (used in) operating activities	<u>1,064,596</u>	<u>676,949</u>	<u>(75,176)</u>	<u>1,666,369</u>
Cash Flows From Noncapital Financing Activities:				
Increase in current liabilities payable from restricted assets	6,566	-	-	6,566
Transfers from other funds	-	-	158,000	158,000
Change in due from/to other funds	338,291	123,390	(58,830)	402,851
Net cash provided by noncapital financing activities	<u>344,857</u>	<u>123,390</u>	<u>99,170</u>	<u>567,417</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(505,498)	(193,083)	(48,165)	(746,746)
Capital contribution received	59,477	-	-	59,477
Advances from other funds	(212,519)	-	-	(212,519)
Proceeds from capital grants	-	289,691	-	289,691
Decrease in cash with fiscal agent	3,465,105	-	-	3,465,105
Proceeds from issuance of debt	6,357	-	-	6,357
Principal reduction on notes payable	(3,565,368)	(54,804)	-	(3,620,172)
Interest paid on notes payable	(124,856)	(6,323)	-	(131,179)
Net cash used in capital and related financing activities	<u>(877,302)</u>	<u>35,481</u>	<u>(48,165)</u>	<u>(889,986)</u>
Cash Flows From Investing Activities:				
Redemption of investments	1,740,223	413,490	230,409	2,384,122
Purchases of investments	(1,728,820)	(1,538,898)	(253,491)	(3,521,209)
Interest income received	78,049	139,588	3,630	221,267
Net cash provided by (used in) investing activities	<u>89,452</u>	<u>(985,820)</u>	<u>(19,452)</u>	<u>(915,820)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	621,603	(150,000)	(43,623)	427,980
Cash and Cash Equivalents, Beginning of Year	2,125,659	1,532,401	147,468	3,805,528
Cash and Cash Equivalents, End of Year	\$ 2,747,262	\$ 1,382,401	\$ 103,845	\$ 4,233,508
Reported as follows in the Statement of Net Assets:				
Cash and cash equivalents	\$ 2,466,168	\$ 1,382,401	\$ 103,845	\$ 3,952,414
Restricted cash and cash equivalents	281,094	-	-	281,094
	<u>\$ 2,747,262</u>	<u>\$ 1,382,401</u>	<u>\$ 103,845</u>	<u>\$ 4,233,508</u>

(Continued)

See accompanying notes.

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

Year Ended September 30, 2009

	Major Funds			Other Proprietary Funds		Total
	Water and Wastewater Fund	Stormwater Utility Fund				
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)						
Operating Activities:						
Operating income (loss)	\$ 438,423	\$ 439,323	\$	(179,460)	\$	698,286
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	603,348	243,112		47,705		894,165
Bad debt expense	22,427	13,000		2,000		37,427
Changes in:						
Receivables	(234,479)	(18,929)		13,133		(240,275)
Prepaid expenses	-	8,789		-		8,789
Accounts payable and accrued liabilities	238,624	(18,132)		38,908		259,400
Compensated absences	(3,747)	9,786		2,538		8,577
Net Cash Provided by (Used in)						
Operating Activities	\$ 1,064,596	\$ 676,949	\$	(75,176)	\$	1,666,369

See accompanying notes.

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

September 30, 2009

ASSETS	Pension Trust Funds		Total
	General Employees Pension Fund	Police Officers' Retirement Fund	
Investments at fair value	\$ 6,653,129	\$ 6,873,058	\$ 13,526,187
TOTAL ASSETS	6,653,129	6,873,058	13,526,187
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	1,204	-	1,204
Advance contributions from Town	1,110,653	433,441	1,544,094
TOTAL LIABILITIES	1,111,857	433,441	1,545,298
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 5,541,272	\$ 6,439,617	\$ 11,980,889

See accompanying notes.

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

Year Ended September 30, 2009

	Pension Trust Funds		Total
	General Employees Pension Fund	Police Officers' Retirement Fund	
Additions:			
Contributions:			
Employer	\$ 1,397,378	\$ 1,653,252	\$ 3,050,630
Employee	-	126,977	126,977
Total contributions	1,397,378	1,780,229	3,177,607
Investment earnings, including net unrealized gain on investments	455,489	481,688	937,177
Total additions	1,852,867	2,261,917	4,114,784
Deductions:			
Benefit payments	194,862	130,271	325,133
Administrative expenses	6,724	16,136	22,860
Total deductions	201,586	146,407	347,993
Change in net assets	1,651,281	2,115,510	3,766,791
Net Assets Held in Trust for Pension Benefits:			
Beginning of year	3,889,991	4,324,107	8,214,098
End of year	\$ 5,541,272	\$ 6,439,617	\$ 11,980,889

See accompanying notes.

TOWN OF MEDLEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2009

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, 2009.

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, 2009, the carrying amount of the Town's deposits was \$7,260,844 and the bank balances of the Town's deposits were \$7,622,062. A portion of the bank balances were covered by federal deposit insurance and the remainder was covered by pledged collateral as required by Florida Statutes. All collateral is pledged in the Town's name and is held by a third party financial institution.

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

(2) Town of Medley's Investment Policies

(a) Credit Risk

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

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

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

(b) Interest Rate Risk

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

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

(c) 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 25% of its investments in fixed income securities, 64% in domestic equity and 11% in international stock. The Police Officers Retirement Fund presently has allocated 27% of its investment in fixed income securities, 62% in domestic equity, and 11% 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, 2009, are as follows:

	General Employees Pension Fund	Police Officers’ Retirement Fund
	<u> </u>	<u> </u>
Davis New York Venture Y	\$ 476,326	\$ -
Goldman Sachs Mid Cap Value I	-	361,435
Harbor Bond	497,086	1,269,043
Harbor International Instl	366,410	-
Jennison Small Company Z	-	359,121
Ranier Small/Mid Cap Eq I Por	-	713,410
Stable Asset Fund II	1,176,878	600,824
T. Rowe Price Equity – Income	1,103,221	-
T. Rowe Price Growth Stock	1,085,302	-
Thornburg Interntl Value R5	-	737,808
Vanguard 500 Index Signal DB	-	695,890
Vanguard 500 Index DB	476,050	-
Vanguard Extd Market Index Signal DB	-	728,766
Vanguard Morgan Growth Adml DB	-	1,060,171
Vanguard Value Index – DB	-	346,590
William Blair Intl Growth I	366,792	-
	<u> </u>	<u> </u>
	\$ 5,548,065	\$ 6,873,058

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

(3) Interfund Receivables and Payables

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

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

(4) Capital Assets

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

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

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

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

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

(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, 2009. Loan costs consist of the following at September 2009:

Loan costs	\$ 29,314
Accumulated amortization	(8,744)
	<u>\$ 20,570</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

(6) Deferred Revenue

Deferred revenue recorded in the governmental funds relates to fees received prior to September 30, 2009, that are for fiscal year 2010 occupational and other licenses and other fees.

(7) Refundable Advances

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

(8) Deferred Developer Fees

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

(9) Compensated Absences

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

(10) Fund Equity

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

F. Employee Benefit Plans:

(1) Employee Benefit Plans and Net Pension Assets

The Town provides separate defined benefit pension plans for general employees and for uniformed police personnel, as well as a defined contribution plan created in accordance with Internal Revenue Code Section 401(a) for certain employees. The Town also offers an optional deferred compensation plan created in accordance with Internal Revenue Code Section 457. The 457 Plan is not included in the Town's financial statements.

At September 30, 2009, the Town recorded net pension assets related to the General Employees Pension Plan and the Police Officers' Retirement Plan in its government-wide statement of net assets. The pension assets are a function of annual required contributions, interest, adjustments to the annual required contribution, annual pension costs, and actual employer's contributions made to the plan. Please refer to Note 7 for further information.

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

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

F. Employee Benefit Plans – Continued:

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

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

G. Stewardship, Compliance, and Accountability

Budgetary Information

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

Legally Adopted Appropriated Budgets:

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

I. Subsequent Events

The Town has evaluated subsequent events through April 27, 2010, the date which the financial statements were available to be issued.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

J. New Accounting Pronouncements

Government Accounting Standards Board (GASB Statement No. 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (“OPEB”), was effective for the Town beginning with its year ending September 30, 2009. This statement improves the relevance and the usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees’ years of service and provides information about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan. The Town has implemented this accounting pronouncement within the required timeframe. The requirements of this standard were implemented prospectively.

2. Cash, Cash Equivalents, and Investments:

Cash and cash equivalents at September 30, 2009, 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	\$ 536,069	\$ -	\$ 2,680,401	\$ 3,216,470	\$ 3,577,640
Money market funds	1,669,322	205,200	1,272,013	3,146,535	3,146,535
	<u>2,205,391</u>	<u>205,200</u>	<u>3,952,414</u>	<u>6,363,005</u>	<u>6,724,175</u>
Restricted:					
Demand deposits	31,806 ³	-	231,682 ^{1 & 4}	263,488	263,536
Money market funds	584,939 ^{3 & 5}	-	49,412 ²	634,351	634,351
	<u>616,745</u>	<u>-</u>	<u>281,094</u>	<u>897,839</u>	<u>897,887</u>
Total Cash and Cash Equivalents	\$ <u>2,822,136</u>	\$ <u>205,200</u>	\$ <u>4,233,508</u>	\$ <u>7,260,844</u>	\$ <u>7,622,062</u>

Investments at September 30, 2009, consist of the following:

	Governmental Funds	Proprietary Fund Type	Total All Funds	Financial Institution Balance
	General Fund	Enterprise Funds		
	Cost and Fair Value	Cost and Fair Value	Cost and Fair Value	
Unrestricted:				
Certificates of deposit	\$ 7,307,261	\$ 4,669,313	\$ 11,976,574	\$ 12,025,190
Restricted:				
Certificates of deposit	-	287,475 ¹	287,475	300,236
Total Investments	\$ <u>7,307,261</u>	\$ <u>4,956,788</u>	\$ <u>12,264,049</u>	\$ <u>12,325,426</u>

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3. Accounts Receivable and Due From Other Governments:

Accounts receivable and due from other governments consist of the following at September 30, 2009:

	Governmental Fund		Enterprise Funds			Total
	General Fund	Water and Wastewater	Stormwater Utility	Police Gun Range	Total Enterprise	
Accounts Receivable:						
User charges	\$ 36,950	\$ 695,971	\$ 48,952	\$ 59,505	\$ 804,428	\$ 841,378
Interest	114,378	23,247	54,111	192	77,550	191,928
Utility taxes	95,490	-	-	-	-	95,490
Franchise fees	176,469	-	-	-	-	176,469
Other	61,357	-	-	-	-	61,357
Total accounts receivable	<u>484,644</u>	<u>719,218</u>	<u>103,063</u>	<u>59,697</u>	<u>881,978</u>	<u>1,366,622</u>
Due From Other Governments:						
Ad valorem	145,714	-	-	-	-	145,714
Communication services	117,235	-	-	-	-	117,235
Grants	32,348	-	28,915	-	28,915	61,263
185 premium tax	73,585	-	-	-	-	73,585
Other	37,074	-	-	-	-	37,074
Total due from other governments	<u>405,956</u>	<u>-</u>	<u>28,915</u>	<u>-</u>	<u>28,915</u>	<u>434,871</u>
Less Allowance for Doubtful Accounts	<u>(25,000)</u>	<u>(12,000)</u>	<u>(13,000)</u>	<u>(2,000)</u>	<u>(27,000)</u>	<u>(52,000)</u>
	<u>\$ 865,600</u>	<u>\$ 707,218</u>	<u>\$ 118,978</u>	<u>\$ 57,697</u>	<u>\$ 883,893</u>	<u>\$ 1,749,493</u>

4. Capital Assets:

A. Changes in Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance, October 1, 2008	Additions	Dispositions	Transfers	Balance, September 30, 2009
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,371,767	\$ 153,208	\$ -	\$ -	\$ 3,524,975
Infrastructure	99,894,213	-	-	-	99,894,213
Construction in progress	8,657,508	277,316	-	(8,549,113)	385,711
Total capital assets not being depreciated	<u>111,923,488</u>	<u>430,524</u>	<u>-</u>	<u>(8,549,113)</u>	<u>103,804,899</u>
Capital assets being depreciated:					
Buildings and improvements	2,367,186	3,040,972	(3,170)	8,549,113	13,954,101
Infrastructure	42,321,150	11,266	-	-	42,332,416
Transportation equipment	1,764,889	440,203	(52,527)	-	2,152,565
Machinery and equipment	1,740,310	351,728	(41,660)	-	2,050,378
Total capital assets being depreciated	<u>48,193,535</u>	<u>3,844,169</u>	<u>(97,357)</u>	<u>8,549,113</u>	<u>60,489,460</u>
Accumulated depreciation	<u>(21,250,434)</u>	<u>(1,844,943)</u>	<u>95,067</u>	<u>-</u>	<u>(23,000,310)</u>
Capital assets being depreciated, net	<u>26,943,101</u>	<u>1,999,226</u>	<u>(2,290)</u>	<u>8,549,113</u>	<u>37,489,150</u>
Governmental activities – capital assets, net	<u>\$ 138,866,589</u>	<u>\$ 2,429,750</u>	<u>\$ (2,290)</u>	<u>\$ -</u>	<u>\$ 141,294,049</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. Capital Assets – Continued:

A. Changes in Capital Assets – Continued

	Balance, October 1, 2008	Additions	Dispositions	Transfers	Balance, September 30, 2009
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	21,120	387,419	-	-	408,539
Stormwater utility fund	353,784	183,622	-	-	537,406
	<u>374,904</u>	<u>571,041</u>	<u>-</u>	<u>-</u>	<u>945,945</u>
Total capital assets not being depreciated	<u>1,103,382</u>	<u>571,041</u>	<u>-</u>	<u>-</u>	<u>1,674,423</u>
Capital assets being depreciated:					
Water, wastewater and stormwater utility systems:					
Water and wastewater fund	20,541,962	-	-	-	20,541,962
Stormwater utility fund	6,606,902	-	-	-	6,606,902
	<u>27,148,864</u>	<u>-</u>	<u>-</u>	<u>-</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	194,398	48,165	-	-	242,563
	<u>1,061,722</u>	<u>48,165</u>	<u>-</u>	<u>-</u>	<u>1,109,887</u>
Transportation equipment:					
Water and wastewater fund	567,935	-	-	-	567,935
Stormwater utility fund	418,364	-	-	-	418,364
Medley lakeside retirement park fund	3,634	-	-	-	3,634
	<u>989,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>989,933</u>
Machinery and equipment:					
Water and wastewater fund	813,705	118,079	(4,772)	-	927,012
Stormwater utility fund	557,267	9,461	-	-	566,728
Medley lakeside retirement park fund	32,874	-	-	-	32,874
Police gun range fund	98,913	-	-	-	98,913
	<u>1,502,759</u>	<u>127,540</u>	<u>(4,772)</u>	<u>-</u>	<u>1,625,527</u>
Total capital assets being depreciated:					
Water and wastewater fund	22,491,303	118,079	(4,772)	-	22,604,610
Stormwater utility fund	7,582,533	9,461	-	-	7,591,994
Medley lakeside retirement park fund	336,131	-	-	-	336,131
Police gun range fund	293,311	48,165	-	-	341,476
	<u>30,703,278</u>	<u>175,705</u>	<u>(4,772)</u>	<u>-</u>	<u>30,874,211</u>
Accumulated depreciation:					
Water and wastewater fund	(7,887,893)	(601,841)	4,772	-	(8,484,962)
Stormwater utility fund	(1,358,204)	(243,112)	-	-	(1,601,316)
Medley lakeside retirement park fund	(450,705)	(25,600)	-	-	(476,305)
Police gun range fund	(184,532)	(22,105)	-	-	(206,637)
Total accumulated depreciation	<u>(9,881,334)</u>	<u>(892,658)</u>	<u>4,772</u>	<u>-</u>	<u>(10,769,220)</u>
Capital assets being depreciated, net	<u>20,821,944</u>	<u>(716,953)</u>	<u>-</u>	<u>-</u>	<u>20,104,991</u>
Business-type activities – capital assets, net	<u>\$ 21,925,326</u>	<u>\$ (145,912)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,779,414</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4. Capital Assets – Continued:

B. Depreciation Expense

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

Governmental Activities:	
General government	\$ 1,464,679
Public safety	239,513
Physical environment	24,024
Human services	50,952
Culture and recreation	<u>65,775</u>
	<u>\$ 1,844,943</u>
Business-type Activities:	
Water and wastewater utility	<u>\$ 601,841</u>
Stormwater utility	<u>\$ 243,112</u>
Medley lakeside retirement park	<u>\$ 25,600</u>
Police gun range	<u>\$ 22,105</u>

5. Accounts Payable and Accrued Liabilities:

Accounts payable and accrued liabilities consist of the following at September 30, 2009:

	Governmental	Enterprise Funds					Total
	General Fund	Water and Wastewater	Stormwater Utility	Lakeside Park	Police Gun Range	Total Enterprise	
Vendors	\$ 208,240	\$ 618,396	\$ 25,992	\$ 8,212	\$ 41,279	\$ 693,879	\$ 902,119
Salaries and benefits	102,847	92,306	22,844	2,137	7,918	125,205	228,052
Compensated absences	-	101,597	16,488	-	6,508	124,593	124,593
Interest	-	10,000	-	-	-	10,000	10,000
Other	50,000	-	-	-	-	-	50,000
DERM taxes	-	348,837	-	-	-	348,837	348,837
	<u>\$ 361,087</u>	<u>\$ 1,171,136</u>	<u>\$ 65,324</u>	<u>\$ 10,349</u>	<u>\$ 55,705</u>	<u>\$ 1,302,514</u>	<u>\$ 1,663,601</u>

6. Ad Valorem Tax Revenues:

The Town levied a millage rate of \$5.7 per \$1,000 of assessed value for the fiscal year 2009 and \$5.65 for the fiscal year 2010. The County of Miami-Dade, Florida, bills and receives payments for all property taxes levied by the Town. Payments are then remitted to the Town.

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

7. Employee Benefit Plans:

A. Single Employer Defined Benefit Plans

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

- **General Employees Pension Plan:** The Town of Medley’s General Employees Pension Plan provides retirement benefits for substantially all full-time nonsworn police officers and elected officials of the Town. General Employees Pension information in this note is provided as of the latest actuarial valuation, October 1, 2008.
- **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, 2008.

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

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

	General Employees Pension Plan	Police Officers’ Retirement Plan	Total
Non-vested active members	14	8	22
Fully-vested active members	40	24	64
Retirees and beneficiaries currently receiving benefits	8	2	10
Terminated plan members entitled to but not yet receiving benefits	10	-	10
	<u>72</u>	<u>34</u>	<u>106</u>

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

	General Employees Pension Plan	Police Officers’ Retirement Plan
Year established and governing authority	2003: Town Resolution	2005: Town Ordinance
Determination of contribution requirements	Actuarially	Actuarially
Employer	Actuarially determined	Actuarially determined
Plan members	Non-contributory	5% of covered 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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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

A. Single Employer Defined Benefit Plans – Continued

(4) Annual Required Contributions

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

	<u>General Employees Pension Plan</u>	<u>Police Officers' Retirement Plan</u>
Provision for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Valuation date	October 1, 2008	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

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

	<u>General Employees Pension Plan</u>			<u>Police Officers' Retirement Plan</u>		
	Annual Pension Costs	Percentage Contributed	Net Pension Obligation (Asset)	Annual Pension Costs	Percentage Contributed	Net Pension Obligation (Asset)
Year Ended September 30,						
2009	\$1,397,378	111%	\$ (1,110,653)	\$1,653,252	126%	\$ (433,441)
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

(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.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

7. Employee Benefit Plans – Continued:

B. Money Purchase Plan – Continued

As of September 30, 2009, there were 54, 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%

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 \$249,241, \$143,954, and \$26,777, 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.

D. Post Employment Benefits Other Than Pension:

(1) Plan Description

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

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

7. Employee Benefit Plans – Continued:

D. Post Employment Benefits Other Than Pension – Continued:

(2) Funding Policy

The Town is financing the post employee benefits on a pay-as-you-go basis. For fiscal year 2009, six retirees received health care benefits. Annual required contributions amounted to \$328,000 for the current fiscal year, towards which the Town made a contribution of approximately \$54,000. At September 30, 2009, the Town recorded net OPEB obligations of \$205,449 for governmental activities and \$68,551 for business-type activities in its government-wide statement of net assets. The water and wastewater, stormwater utility, and police gun range reported net OPEB obligations at September 30, 2009, of \$49,186, \$15,799, and \$3,566, respectively. The OPEB obligation is a function of annual required contributions, interest, adjustments to the annual required contribution, annual pension costs, and actual employers' contributions made to the plan.

(3) Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 328,000
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
	<hr/>
Annual OPEB Cost (Expense)	328,000
Employer Contributions	(54,000)
Interest on Employer Contributions	-
	<hr/>
Increase in Net OPEB Obligation	274,000
Net OPEB Obligation-beginning of year	-
	<hr/>
Net OPEB Obligation-end of year	<u>\$ 274,000</u>

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2009 (first year of implementation), was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributions</u>	<u>Net OPEB Obligations</u>
September 30, 2009	\$ 328,000	16.5%	\$ 274,081

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

7. Employee Benefit Plans – Continued:

(4) Funded Status and Funding Progress

As of September 30, 2009, the unfunded actuarial accrued liability for benefits was \$3,460,071, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,667,673, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 61%. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

8. Operating Leases:

As Lessor – The Town operates a police gun range which is available for rent to other law enforcement agencies in the area on a day-to-day basis. In the fiscal year ended September 30, 2009, the Town received \$240,620 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, 2009, the Town received \$160,145 in rental income from these sites.

As Lessee – The Town leases approximately 5 acres of land from Lowell Dunn Company for the site of the police gun range on a year-to-year basis for \$10 a year.

The Town leases approximately 300 square feet of office space and two parking spaces at the Medley fire station. The lease is for a period of ninety-nine years, for a total rental of \$99 paid in advance.

The Town entered into a ground lease with Our Security Corporation on April 1, 1989. The land was subsequently improved for a mobile home park. The lease has an initial term of twenty years with options to renew for three successive periods of twenty years each, at fair rental value on the date of renewal and the initial term was extended to March 2029. The lease agreement provides for rental increases annually based on the Consumer Price Index U.S. City Average for All Urban Consumers (CPI-U 1982-84 = 100).

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

8. Operating Leases – Continued:

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

Year Ending September 30,	Minimum Lease Payments	Estimated Contingent Rentals	Estimated Total Amount
2010	\$ 60,000	\$ 37,727	\$ 97,727
2011	60,000	40,659	100,659
2012	60,000	43,679	103,679
2013	60,000	46,789	106,789
2014	60,000	49,993	109,993
2015 – 2019	300,000	301,490	601,490
2020 – 2024	300,000	397,289	697,289
2025 – 2029	270,000	452,667	722,667
	<u>\$ 1,170,000</u>	<u>\$ 1,370,293</u>	<u>\$ 2,540,293</u>

Total fiscal 2009 rental expenditures under the ground lease were \$96,728 including \$36,728 of contingent rentals.

In 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, 2010	\$ <u>2,550</u>
	\$ <u><u>2,550</u></u>

Total fiscal 2009 rental expenditures under this lease were \$15,300.

Total rents under all operating leases, including short-term, month-to-month rentals, were \$133,454 for the year ended September 30, 2009.

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, 2009, are as follows:

	Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009
Notes payable	\$ 4,816,273	\$ 2,485,381	\$ 134,926	\$ 7,166,728
Compensated absences	884,238	82,338	-	966,576
Other post employment benefits	-	205,449	-	205,449
	<u>\$ 5,700,511</u>	<u>\$ 2,773,168</u>	<u>\$ 134,926</u>	<u>\$ 8,338,753</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. Long-Term Obligations – Continued:

A. Governmental Fund Type Long-Term Obligations – Continued

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

Fiscal Year	Governmental Fund Type		Total Debt Service
	Principal	Interest	
2010	\$ 258,900	\$ 289,420	\$ 548,320
2011	199,168	277,202	476,370
2012	183,505	270,063	453,568
2013	191,860	261,708	453,568
2014	199,808	253,760	453,568
2015 – 2019	1,129,511	1,138,331	2,267,842
2020 – 2024	5,003,976	1,497,171	6,501,147
	<u>\$ 7,166,728</u>	<u>\$ 3,987,655</u>	<u>\$ 11,154,383</u>

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

Description of Governmental Fund Type Long-Term Obligations:

Note Payable – 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	\$ 69,536
Note Payable – Bank United, monthly payments of \$37,797 including interest at 4.01% per annum through November 2019 at which time the balance of the loan is due, collateralized by the full faith and credit of the Town	7,055,482
Capital lease – Key Equipment Finance, Inc., monthly payments of \$1,846 including interest at 4.79% through September 2011, collateralized by underlying equipment	41,710
	<u>\$ 7,166,728</u>

The present value of future minimum lease payments under the capital lease at September 30, 2009, is as follows:

Total payments required	\$ 43,846
Less amount representing interest	<u>(2,136)</u>
Present value of future minimum lease payments	<u>\$ 41,710</u>

Equipment under the capital lease is \$48,300 and is included in capital assets, net of accumulated depreciation of \$32,200.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. Long-Term Obligations – Continued:

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, 2009, are as follows:

	Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009
Notes payable	\$ 4,828,547	\$ 6,357	\$ 3,565,368	\$ 1,269,536
Capital leases	162,322	-	54,804	107,518
	<u>\$ 4,990,869</u>	<u>\$ 6,357</u>	<u>\$ 3,620,172</u>	<u>\$ 1,377,054</u>

Description of Proprietary Fund Type Long-Term Obligations:

Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.7% per annum (Phase 1) and 2.8% per annum (Phase 2), payable in semiannual principal and interest payments of \$43,025 on November 15 and May 15 through May 15, 2024, uncollateralized	\$ 1,051,376
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	218,160
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>107,518</u>
	<u>\$ 1,377,054</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	
2010	\$ 105,431	\$ 31,937	\$ 137,368
2011	318,979	34,454	353,433
2012	78,498	25,503	104,001
2013	62,385	23,666	86,051
2014	61,975	24,076	86,051
2015 – 2019	347,770	82,485	430,255
2020 – 2024	317,711	112,544	430,255
2025 – 2029	<u>84,305</u>	<u>1,747</u>	<u>86,052</u>
	<u>\$ 1,377,054</u>	<u>\$ 336,412</u>	<u>\$ 1,713,466</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. Long-Term Obligations – Continued:

B. Proprietary Fund Type Long-Term Obligations – Continued

The present value of future minimum lease payments under the capital lease at September 30, 2009, is as follows:

Total payments required	\$ 112,443
Less amount representing interest	<u>(4,925)</u>
Present value of future minimum lease payments	<u>\$ 107,518</u>

Equipment under the capital lease is \$136,860 and is included in capital assets, net of accumulated depreciation of \$34,214.

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 \$101,372 for the year ended September 30, 2009. Total interest cost incurred in the water and wastewater fund was \$220,840 for the year ended September 30, 2009. Interest capitalized was \$30,837 and interest expensed was \$88,631.

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, 2009.

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

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

11. Commitments and Contingencies:

A. Litigation and Other Matters

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

B. Capital Asset Acquisition Commitments

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 2009 dollars.

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. For the year ended September 30, 2009, this payment totaled \$658,570. 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, 2009, were:

Fund:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General fund	\$ 1,945,972	\$ -
Special revenue fund	-	30,678
Enterprise funds:		
Water and wastewater fund	142,532	1,845,373
Stormwater utility fund	-	171,244
Medley Lakeside Retirement Park fund	-	11,336
Police gun range fund	-	29,873
	<u>\$ 2,088,504</u>	<u>\$ 2,088,504</u>

Interfund balances are used as short-term financing of cash flow shortfalls. A portion of the interfund balance between the general fund and the water and wastewater fund is an advance as described in Note 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, 2009, were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Medley lakeside retirement park fund	\$ <u> -</u>	\$ <u> 158,000</u>
Medley Lakeside Retirement Park Fund:		
General fund	<u> 158,000</u>	<u> -</u>
	\$ <u><u> 158,000</u></u>	\$ <u><u> 158,000</u></u>

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

B. Long-Term Interfund Balance

A promissory note was issued between the Town’s general fund and its water and wastewater fund with an interest rate of 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, 2009, was \$1,081,116.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 166,683	\$ 30,714	\$ 197,397
2011	230,127	33,069	263,196
2012	239,472	23,725	263,197
2013	249,195	14,001	263,196
2014	<u>195,639</u>	<u>3,883</u>	<u>199,522</u>
	\$ <u><u>1,081,116</u></u>	\$ <u><u>105,392</u></u>	\$ <u><u>1,186,508</u></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, 2009:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Reserved for advances to enterprise funds	\$ 1,081,116	\$ -	\$ 1,081,116
Reserved for law enforcement	417,731	-	417,731
Reserved for transportation	199,014	-	199,014
Reserved for prepaid expenditures	1,721,407	-	1,721,407
Reserved for Foundation activities	-	174,522	174,522
Total reserved	<u>3,419,268</u>	<u>174,522</u>	<u>3,593,790</u>
Unreserved:			
Designated for:			
Pension	3,500,000	-	3,500,000
Working capital	2,100,000	-	2,100,000
Emergency management	400,000	-	400,000
Continuing education for health awareness	100,000	-	100,000
Retiree health insurance	250,000	-	250,000
Debt service	500,000	-	500,000
Total designated	<u>6,850,000</u>	<u>-</u>	<u>6,850,000</u>
Unreserved/undesignated	<u>3,732,414</u>	<u>-</u>	<u>3,732,414</u>
Total fund balance	<u>\$ 14,001,682</u>	<u>\$ 174,522</u>	<u>\$ 14,176,204</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MEDLEY, FLORIDA

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

Year Ended September 30, 2009

	Original Budget	Budget Amendments	Final Budget	Actual	Variance with Final Budget – Over (Under)
Revenues:					
Ad valorem taxes	\$ 10,598,829	\$ -	\$ 10,598,829	\$ 10,855,465	\$ 256,636
Utility taxes	1,020,000	-	1,020,000	1,033,395	13,395
Other general taxes	1,000,000	-	1,000,000	974,990	(25,010)
Intergovernmental	383,368	62,000	445,368	294,277	(151,091)
Permits, fees, and licenses	2,170,000	-	2,170,000	2,111,033	(58,967)
Fines and forfeitures	80,000	-	80,000	281,396	201,396
User charges	40,000	-	40,000	61,567	21,567
Miscellaneous	325,000	-	325,000	414,471	89,471
Total revenues	<u>15,617,197</u>	<u>62,000</u>	<u>15,679,197</u>	<u>16,026,594</u>	<u>347,397</u>
Expenditures:					
Current operating:					
General government	7,092,253	229,000	7,321,253	6,902,461	(418,792)
Public safety	4,625,839	300,000	4,925,839	4,896,496	(29,343)
Physical environment	890,466	-	890,466	691,821	(198,645)
Human services	888,722	-	888,722	833,029	(55,693)
Culture and recreation	742,043	-	742,043	632,069	(109,974)
Capital outlay	3,825,000	325,000	4,150,000	4,274,693	124,693
Debt service	439,700	(275,000)	164,700	353,743	189,043
Total expenditures	<u>18,504,023</u>	<u>579,000</u>	<u>19,083,023</u>	<u>18,584,312</u>	<u>(498,711)</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>(2,886,826)</u>	<u>(517,000)</u>	<u>(3,403,826)</u>	<u>(2,557,718)</u>	<u>846,108</u>
Other Financing Sources (Uses):					
Proceeds from issuance of debt	1,837,500	662,500	2,500,000	2,485,381	(14,619)
Transfers out	(181,887)	-	(181,887)	(158,000)	23,887
Total other financing sources (uses)	<u>1,655,613</u>	<u>662,500</u>	<u>2,318,113</u>	<u>2,327,381</u>	<u>9,268</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)					
	<u>(1,231,213)</u>	<u>145,500</u>	<u>(1,085,713)</u>	<u>(230,337)</u>	<u>855,376</u>
Fund Balances, Beginning of Year					
	<u>14,232,019</u>	<u>-</u>	<u>14,232,019</u>	<u>14,232,019</u>	<u>-</u>
Fund Balances, End of Year					
	<u>\$ 13,000,806</u>	<u>\$ 145,500</u>	<u>\$ 13,146,306</u>	<u>\$ 14,001,682</u>	<u>\$ 855,376</u>

TOWN OF MEDLEY, FLORIDA

DEFINED BENEFIT PENSION TRUST FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2009

A. Schedules of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Entry Age (PVAB) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
<u>General Employees Pension Fund:</u>						
October 1, 2008	\$ 4,849,226	\$ 11,322,630	\$ 6,473,404	42.8%	\$ 2,400,099	269.7%
October 1, 2007	4,631,754	9,248,046	4,616,292	50.1%	2,284,596	202.1%
October 1, 2006	2,846,159	7,203,703	4,357,544	39.5%	1,958,983	222.4%
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%
<u>Other Post Employment Benefits:</u>						
October 1, 2008*	-	\$ 3,460,071	\$ 3,460,071	-%	\$ 5,667,673	61.0%

B. Schedules of Employer Contributions:

	Required Contribution	Percentage Contributed	Net Pension/OPEB Obligation (Asset)
<u>General Employees Pension Fund:</u>			
From October 1, 2008 through September 30, 2009	\$ 1,397,378	111%	\$ (1,110,653)
From October 1, 2007 through September 30, 2008	1,078,125	135%	(958,031)
From October 1, 2006 through September 30, 2007	1,061,492	141%	(584,952)
From October 1, 2005 through September 30, 2006	980,260	148%	(159,540)
<u>Police Officers' Retirement Fund:</u>			
From October 1, 2008 through September 30, 2009	\$ 1,653,252	126%	\$ (433,441)
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%	-
<u>Other Post Employment Benefits:</u>			
From October 1, 2008 through September 30, 2009*	\$ 328,000	16.5%	\$ 274,081

* This is the first year the Town is required to report this information. This information is being reported prospectively.

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

Year Ended September 30, 2009

C. Notes to Required Supplementary Information:

	General Employees Pension Fund	Police Officers' Retirement Fund
Valuation date	October 1, 2008	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, 2009

ASSETS	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Current Assets:			
Cash and cash equivalents	\$ 5,251	\$ 98,594	\$ 103,845
Investments	-	75,744	75,744
Receivables, net	-	57,697	57,697
Prepaid expenses	7,922	-	7,922
Total current assets	13,173	232,035	245,208
Capital Assets, net	144,066	134,839	278,905
TOTAL ASSETS	157,239	366,874	524,113
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	10,349	49,197	59,546
Due to other funds	11,336	29,873	41,209
Compensated absences	-	6,508	6,508
TOTAL CURRENT LIABILITIES	21,685	85,578	107,263
NET ASSETS – UNRESTRICTED	\$ 135,554	\$ 281,296	\$ 416,850

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

Year Ended September 30, 2009

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
User charges	\$ 160,145	\$ 240,620	\$ 400,765
Other	100	-	100
Total operating revenues	<u>160,245</u>	<u>240,620</u>	<u>400,865</u>
Operating Expenses:			
Salaries, wages, and employee benefits	47,827	144,748	192,575
Contractual services, materials, and supplies	257,541	82,504	340,045
Depreciation and amortization	25,600	22,105	47,705
Total operating expenses	<u>330,968</u>	<u>249,357</u>	<u>580,325</u>
Operating Loss	<u>(170,723)</u>	<u>(8,737)</u>	<u>(179,460)</u>
Non-Operating Revenues:			
Interest income	8	3,622	3,630
Total non-operating revenues	<u>8</u>	<u>3,622</u>	<u>3,630</u>
Loss Before Other Revenues and Transfers	<u>(170,715)</u>	<u>(5,115)</u>	<u>(175,830)</u>
Other Revenues and Transfers:			
Transfers in	158,000	-	158,000
Total other revenues and transfers	<u>158,000</u>	<u>-</u>	<u>158,000</u>
Net Loss	(12,715)	(5,115)	(17,830)
Net Assets, Beginning of Year	<u>148,269</u>	<u>286,411</u>	<u>434,680</u>
Net Assets, End of Year	<u>\$ 135,554</u>	<u>\$ 281,296</u>	<u>\$ 416,850</u>

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

Year Ended September 30, 2009

	<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	\$ 160,145	\$ 253,753	\$ 413,898
Payments to suppliers	(258,931)	(40,206)	(299,137)
Payments to employees	(47,827)	(142,210)	(190,037)
Other receipts	100	-	100
Net cash provided by (used in) operating activities	<u>(146,513)</u>	<u>71,337</u>	<u>(75,176)</u>
Cash Flows From Noncapital Financing Activities:			
Transfers from other funds	158,000	-	158,000
Change in due from/to other funds	(8,414)	(50,416)	(58,830)
Net cash provided by (used in) noncapital financing activities	<u>149,586</u>	<u>(50,416)</u>	<u>99,170</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	-	(48,165)	(48,165)
Net cash used in capital and related financing activities	<u>-</u>	<u>(48,165)</u>	<u>(48,165)</u>
Cash Flows From Investing Activities:			
Redemption of investments	-	230,409	230,409
Purchase of investments	-	(253,491)	(253,491)
Interest income received	8	3,622	3,630
Net cash provided by (used in) investing activities	<u>8</u>	<u>(19,460)</u>	<u>(19,452)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,081	(46,704)	(43,623)
Cash and Cash Equivalents, Beginning of Year	<u>2,170</u>	<u>145,298</u>	<u>147,468</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,251</u>	<u>\$ 98,594</u>	<u>\$ 103,845</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:			
Operating loss	\$ (170,723)	\$ (8,737)	\$ (179,460)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	25,600	22,105	47,705
Bad debt expense	-	2,000	2,000
Changes in:			
Receivables	-	13,133	13,133
Accounts payable and accrued liabilities	(1,390)	40,298	38,908
Compensated absences	-	2,538	2,538
Net Cash Provided by (Used in) Operating Activities	<u>\$ (146,513)</u>	<u>\$ 71,337</u>	<u>\$ (75,176)</u>

SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION



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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, 2009, which collectively comprise the Town of Medley, Florida's basic financial statements and have issued our report thereon dated April 27, 2010. 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 A, B3, C6, D, E, F, H, and 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.

Averett Warmus Durkee

April 27, 2010

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 various permits, fees, and licenses and noted the following:

1. In twenty-seven instances out of forty-five selected, electrical permit fees were not calculated in accordance with the approved fee schedule.
2. In eleven instances out of fifteen selected, plumbing permit fees were not calculated in accordance with the approved fee schedule.
3. In one instance out of two selected, mechanical permit fees were not calculated in accordance with the approved fee schedule,
4. In six instances out of six selected, roofing permit fees were not calculated in accordance with the approved fee schedule.
5. In one instance out of five selected, we noted that a business did not have a local business tax receipt with the Town.
6. In two instances out of five selected, building permit fees collected did not agree with the calculated fee in the permit file.
7. 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 297 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 Town has implemented a fully integrated local business tax receipt and permitting program with multiple capabilities including interfacing permitting and local business tax receipt functions with the financial reporting functions. It will also automate the calculation of all permits in accordance with the Town's permit fee schedule and will sequentially account for all local business tax receipts issued. The system is being implemented in stages. The local business tax receipt portion is fully operational. The permitting function is in process and should be fully operational by the end of the 2010 fiscal year.

Due to current budgetary constraints, the code enforcement department is operating with a limited staff. The Town is reviewing the department's needs.

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 four instances) and properly completed forms (I-9 in one instance, direct deposit authorization in one instance) were not present in the employees' personnel files.
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 need more detail documentation.
4. In six 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:

The Town is in the process of hiring specialized labor attorneys to review its current payroll and benefit processes to insure that policies and procedures are in compliance with union contracts and Town ordinances and resolutions.

Certain departments have clear written policies regarding fringe benefits and personal use thereof, including the use of take-home vehicles. Other department's fringe benefits are addressed and followed by union contracts and Town policies, although not written, are in place.

All employees are required to utilize the Town's onsite time and attendance electronic system. There will be instances where utilizing this onsite system, such as off-premise meetings and out of town conferences, whereby the employee will substantiate their time using a standard comp-time sheet which is approved by their immediate supervisor.

It may appear that comp-time earning procedures are arbitrary; however, all supervisors and department heads are fully aware and approved all comp-time requests.

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:

During the 2009 fiscal year, a more comprehensive travel policy was implemented, including a standardized form. Included in the policy was a requirement for more substantive documentation regarding the business purpose of the reimbursement request. Since that policy has been in place, the Town believes that the travel reimbursement process has improved. All credit card purchases, which are minimal, are all for Town matters. The Town employees do very little entertainment while on town business.

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.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

C. Other Internal Control Items – Continued:

2. Control Documents – Continued:

Management's Response:

All prenumbered blank checks are either stored in a safe, locked cabinet and/or in a locked room.

3. Cash disbursements items:

Findings:

In four instances out of twenty selected, no invoice or supporting documentation was provided for the expenditure and in one instance, a supporting invoice was not properly cancelled after payment was made. Additionally, other instances of unavailable supporting documentation arose in substantive testing.

Recommendation:

We recommend that the Town institute a policy that items are not paid unless adequate supporting documentation is provided. Additionally, all items should be cancelled to prevent duplicate payments.

Management's Response:

The Town does have a policy that requires all vendor invoices and requests for payment contain adequate documentation for payment. The authorized check signors will not sign checks unless there is adequate supporting documentation for that particular payment. In certain instances, supporting documentation may be missing due to the invoice being misfiled or an invoice may be taken out of the file for some reason and not properly returned.

The accounting software will not allow a duplicate payment for the same invoice.

4. Grant Administration:

Finding:

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

Recommendation:

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

Management's Response:

The Town has considered hiring a grant administrator; however, due to budgetary constraints a single person with that responsibility has not been hired and assigned that task. The function is now being administrated by the department which initiates the grant. However, the finance department reconciles all grant expenditures and reimbursement requests to the general ledger.

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.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

5. Cash Receipts – Continued:

Recommendation:

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

Management's Response:

The Town receives a minimal amount of cash payments. The vast majority of cash receipts are either by check, wire, or credit card payment. The Town has considered a centralized cash register system; however, at this time we believe the cost of implementing this function outweighs the benefits derived.

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:

Due to the small size of the Town, segregation of certain duties is not considered practicable. As stated above, there is extensive involvement by the Mayor and Town Council and their staff in the everyday operations of the Town's financial functions. In addition, the Town Attorney is also extensively involved in the financial functions of the Town. Therefore, 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.

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:

During fiscal year 2010, the Town implemented fixed asset software which has the capability of recording and tracking capital assets and infrastructure. The software is fully integrated with the general ledger. A fixed asset physical inventory was taken in 2008 for insurance purposes. Material deletions are recorded timely in the general ledger.

The Town is working on obtaining title to all infrastructure assets. This is a multi-year project which should be completed in 2011.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

E. Water and Wastewater Utility Items:

Findings:

The Town experienced an estimated unaccounted for loss rate of 22% of water purchased while water management standards require such loss to be below 10%.

Recommendation:

We still believe that a loss of 22% is material and has a significant financial impact on the Town and is an increase from the prior year. We recommend that the Town continue its efforts to find the causes of this problem. We also recommend that the Town implement a system to reduce the amount of manual adjustments to the billing system for meter misreading.

Management's Response:

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 Water and Sewer is greater than water sold to its customers or used by the town in some other measurable way. A well run water utility will report water losses of 10% or less.

In prior years, the Town's water losses were running as high as 40%. The Town is reporting a 13% water loss ratio to Miami-Dade Water & Sewer. The differences between the percentage stated in the findings above and the percentage reported to Miami-Dade Water & Sewer are allowances for meter discrepancies and the unreported use of water by the Miami-Dade Fire Department.

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 four instances out of ten selected, the Town's database is incomplete and/or does not agree with Miami-Dade County information.

Recommendation:

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

Management's Response:

At the time when the Town took over the management of the stormwater utility from Miami-Dade County property, ERU's, as measured by the county, were used by the Town. Some of these ERU's were obsolete. The imperious areas of many of the properties had changed due to development, thus the Town was receiving less revenue than it was entitled to. Since the takeover, the Town has had an on-going program whereby an engineer has been re-measuring the imperious area of each property within the town's boundaries. As a result of their findings and examination, adjustments have been made to the ERU's, which mostly resulted in higher revenues in accordance with Town ordinance and resolutions.

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.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

G. Benefit Plan Items – Continued:

Management's Response:

By the end of calendar year 2009, all delinquent pension loans have been defaulted and declared distributed through the issuance of Form 1099-R. We have been advised by the plans administrator that, if a participant instructs us to stop taking out the automatic payroll deduction for the loan re-payment, we cannot require them to continue repaying the loan. 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:

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

Account balance reconciliations are not prepared and reviewed on a monthly or periodic basis, only annually. Journal entries are prepared, entered, and posted by one individual without review or 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 that these reconciliations are reviewed.

Management's Response:

Interim financial reports are prepared on a monthly basis by the Finance Director. They are reviewed by the Mayor and Town Attorney on a quarterly basis.

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 2010.

A written disaster recovery plan for the restoration of lost electronic and financial data will be put in place during fiscal year 2010.

TOWN OF MEDLEY, FLORIDA

PRIOR YEAR RECOMMENDATIONS AND OTHER MATTERS

Prior Year Recommendations:

<u>Prior Year Recommendation</u>	<u>Current Year Status</u>
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	Partially 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, 2009.
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 Rules 10.554(1)(i)7.c. and 10.556(7). 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.