

**TOWN OF MEDLEY, FLORIDA**  
**FINANCIAL SECTION, REQUIRED SUPPLEMENTARY**  
**INFORMATION, COMBINING FUND STATEMENTS,**  
**AND SUPPLEMENTARY FINANCIAL REPORTS**  
**COMPLIANCE SECTION**  
**Year Ended September 30, 2010**

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, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited each fiduciary fund type of the Town as of and for the year ended September 30, 2010, as displayed in the Town's basic financial statements. These financial statements are the responsibility of the Town'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 the 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, as of September 30, 2010, 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 June 1, 2011, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the defined benefit pension information on pages 3 through 10 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Querett Warmus Durkee Osburn Henning*

Orlando, Florida  
June 1, 2011

TOWN OF MEDLEY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2010

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, 2010.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. The information contained within this section should be considered only a part of a greater whole.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$172,595,782 (*net assets*). Of this amount, \$15,530,810 (*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 decreased by \$1,187,394 or by approximately 0.7%. This is comprised of a decrease of \$2,371,360 in governmental activities and an increase of \$1,183,966 in business-type activities.
- The decrease in governmental activities was due to the decrease in ad valorem revenues by \$843,527. This was due to a decrease in the millage rate and a decrease in assessed property values, which is due to the economic conditions and higher than expected value adjustments. In addition, the decrease was also due to: (1) the OPEB reporting requirements and the related health insurance adjustment, based on the actuarial valuation, which increased the liability and decreased net assets by \$157,023; (2) enhanced pension benefits increasing the annual required contribution (ARC) to the Town's two defined benefit pension plans by \$224,481; (3) capital improvements of \$231,572 to the police station; and (4) other capital expenditures, including \$169,402 on emergency bridge repairs.
- The increase in business-type activities was mostly attributable to higher than expected revenues from new connections and increased water rates as well as lower than expected expenses, mostly attributable to lower sewer treatment costs. The Town also received non-budgeted 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 \$12,616,891, a decrease of \$1,559,313 in comparison with the prior year. Of this amount \$9,310,329, is *available for spending* at the government's discretion (*assigned or unassigned fund balance*) of which \$6.35 million has been assigned for future projects and expenditures, \$3.75 million for pension and other post retirement benefits, \$2.1 million for working capital, and \$0.5 million for debt service.
- The Town's total debt increased by \$2,309,789. This was due to new borrowings from the Florida Department of Environmental Protection Revolving Fund Loan for wastewater infrastructure improvements. The debt service on this loan will be repaid over a 20 year period, 71% of which will be repaid by grant proceeds from the Disadvantaged Small Community Grant Program.
- The total fair value of the Town's unrestricted cash and investments at September 30, 2010 was \$18,246,223, a decrease of \$93,356 from the prior year.

### 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).

## TOWN OF MEDLEY, FLORIDA

### MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

#### Overview of the Financial Statements – Continued

##### Government-wide financial statements – continued

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.

**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.

# TOWN OF MEDLEY, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

### Overview of the Financial Statements – Continued

**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 44 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budget to actual comparisons for the Town's general fund and the Town of Medley, Florida's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 46 through 48 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 50 through 52 of this report.

### 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, 2010	2009	September 30, 2010	2009	September 30, 2010	2009		
Current assets	\$ 12,644,508	\$ 14,220,153	\$ 9,014,840	\$ 7,615,827	\$ 21,659,348	\$ 21,835,980	\$ (176,632)	(0.8)%
Noncurrent assets	654,189	616,745	698,974	589,139	1,353,163	1,205,884	147,279	12.2
Capital assets, net	140,330,704	141,294,049	23,894,507	21,779,414	164,225,211	163,073,463	1,151,748	0.7
Total assets	153,629,401	156,130,947	33,608,321	29,984,380	187,237,722	186,115,327	1,122,395	0.6
Long-term liabilities outstanding	7,990,100	8,079,853	3,581,044	1,271,623	11,571,144	9,351,476	2,219,668	23.7
Other liabilities	879,161	919,594	2,191,635	2,061,081	3,070,796	2,980,675	90,121	3.0
Total liabilities	8,869,261	8,999,447	5,772,679	3,332,704	14,641,940	12,332,151	2,309,789	18.7
Net assets:								
Investment in capital assets, net of related debt	133,708,365	134,404,218	20,050,045	20,402,360	153,758,410	154,806,578	(1,048,168)	(0.7)
Restricted	3,306,562	3,593,790	-	-	3,306,562	3,593,790	(287,228)	(8.0)
Unrestricted	7,745,213	9,133,492	7,785,597	6,249,316	15,530,810	15,382,808	148,002	1.0
Total net assets	\$ 144,760,140	\$ 147,131,500	\$ 27,835,642	\$ 26,651,676	\$ 172,595,782	\$ 173,783,176	\$ (1,187,394)	(0.7)%

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 \$172,595,782 at September 30, 2010, a decrease of \$1,187,394 from the prior fiscal year. This is a less than 1% decrease compared to last years' net assets of \$173,783,176.

The largest portion of the Town of Medley, Florida's net assets, \$153,758,410, 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, \$3,306,562, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$15,530,810, may be used to meet the government's ongoing obligations to residents and creditors.



# TOWN OF MEDLEY, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

### Government-Wide Financial Analysis – Continued

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 \$2,371,360, whereas business-type activities increased the Town of Medley, Florida's net assets by \$1,183,966. This resulted in a decrease in total net assets of \$1,187,394 or a less than 1% decrease from the prior year.

The table below summarizes the statements of activities:

Town of Medley, Florida									
Changes in Net Assets									
	Governmental Activities		Business-Type Activities		Total				
	Year Ended September 30, 2010	2009	Year Ended September 30, 2010	2009	Year Ended September 30, 2010	2009	Amount Change	% Change	
Revenues:									
Program revenues:									
Fees, fines, and charges for services	\$ 1,676,758	\$ 1,532,479	\$ 6,999,319	\$ 6,404,540	\$ 8,676,077	\$ 7,937,019	\$ 739,058	9.3 %	
Operating grants, and contributions	-	86,993	-	-	-	86,993	(86,993)	(100.0)	
Capital grants and contributions	192,600	-	97,411	206,653	290,011	206,653	83,358	40.3	
General revenues:									
Ad valorem taxes	10,011,938	10,855,465	-	-	10,011,938	10,855,465	(843,527)	(7.8)	
Utility taxes	992,777	1,033,395	-	-	992,777	1,033,395	(40,618)	(3.9)	
Franchise fees	923,712	1,109,483	-	-	923,712	1,109,483	(185,771)	(16.7)	
Other general taxes	726,188	790,212	-	-	726,188	790,212	(64,024)	(8.1)	
Intergovernmental	202,204	207,284	-	-	202,204	207,284	(5,080)	(2.5)	
Investment earnings	228,926	353,209	155,006	190,447	383,932	543,656	(159,724)	(29.4)	
Other	144,210	68,556	-	-	144,210	68,556	75,654	110.4	
Internal activity:									
Transfers	(157,931)	(158,000)	157,931	158,000	-	-	-	-	
Total revenues and transfers	14,941,382	15,879,076	7,409,667	6,959,640	22,351,049	22,838,716	(487,667)	(2.1)	
Expenses:									
General government	8,757,818	8,586,953	-	-	8,757,818	8,586,953	170,865	2.0	
Public safety	5,814,857	5,203,151	-	-	5,814,857	5,203,151	611,706	11.8	
Physical environment	756,807	724,477	-	-	756,807	724,477	32,330	4.5	
Human services	917,359	878,471	-	-	917,359	878,471	38,888	4.4	
Culture and recreation	777,182	748,799	-	-	777,182	748,799	28,383	3.8	
Interest	288,719	218,817	90,655	94,954	379,374	313,771	65,603	20.9	
Water and wastewater	-	-	4,266,339	4,019,155	4,266,339	4,019,155	247,184	6.2	
Stormwater utility	-	-	1,240,233	1,106,774	1,240,233	1,106,774	133,459	12.1	
Medley retirement park	-	-	337,138	330,968	337,138	330,968	6,170	1.9	
Police gun range	-	-	291,336	249,357	291,336	249,357	41,979	16.8	
Total expenses	17,312,742	16,360,668	6,225,701	5,801,208	23,538,443	22,161,876	1,376,567	6.2	
Increase (Decrease) in Net Assets	(2,371,360)	(481,592)	1,183,966	1,158,432	(1,187,394)	676,840	(1,864,234)	(275.4)	
Net Assets, beginning of year	147,131,500	147,613,092	26,651,676	25,493,244	173,783,176	173,106,336	676,840	0.4	
Net Assets, end of year	\$ 144,760,140	\$ 147,131,500	\$ 27,835,642	\$ 26,651,676	\$ 172,595,782	\$ 173,783,176	\$ (1,187,394)	(0.7)%	

**Governmental activities.** Governmental activities decreased the Town's net assets by \$2,371,360. The decrease was due to the following changes from the prior year's activities:

- An increase in charges for services of \$144,279, which includes building permits and waste host fees.
- Ad valorem taxes decreased by \$843,527, or 7.8% from the previous year. This was due to a decrease in assessed property values by Miami-Dade County Property Appraisers' Office, and the Town's millage rate decreased to a rate of 5.6500 mills from the prior year rate of 5.7000 mills.
- A decrease in utility taxes and franchise fees of \$226,389.
- A decrease in investment earnings of \$124,283.

TOWN OF MEDLEY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Government-Wide Financial Analysis – Continued

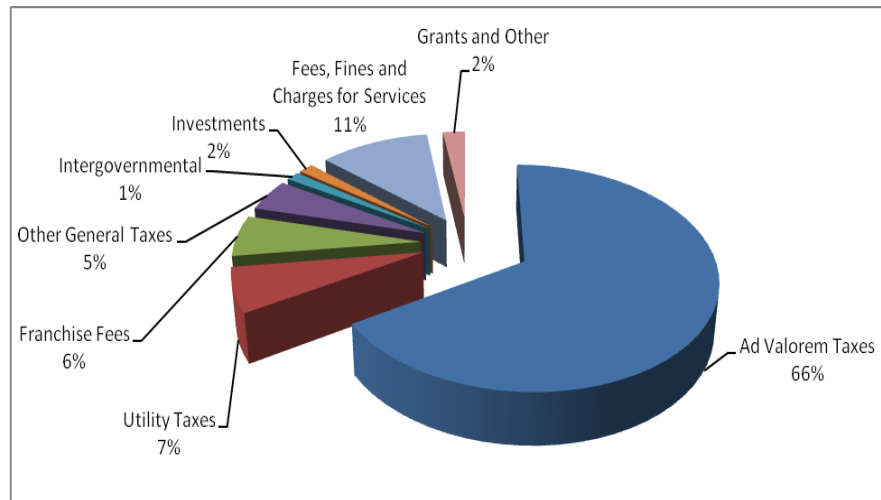
Governmental activities – continued

- An increase from the prior year in total expenses of \$952,074 consisted of the following: (1) an increase in health insurance expense, based on the actuarial valuation, which increased the liability and decreased the total net assets by \$157,023; (2) an increase in benefits to the Town's two defined benefit plans, which increased the ARC by \$224,481; (3) an increase in interest expense of \$69,902 attributable to the debt service on the new Municipal Service Facility; (4) an increase of \$58,888 in the mitigation expense the Town pays to Miami-Dade County for recently annexed lands; and (5) capital expenditures including bridge repairs and police station improvements of \$400,974.

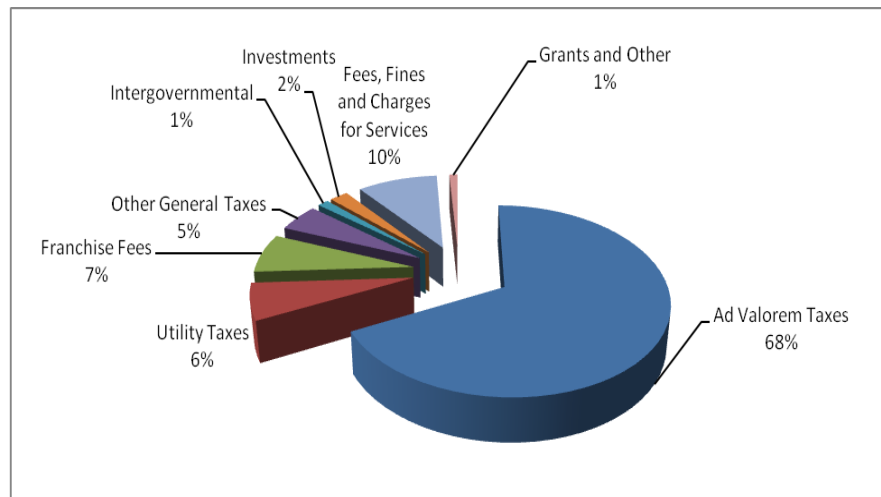
The following chart shows the amounts of program and general revenues for fiscal years 2010 and 2009:

Revenues by Source – Governmental Activities  
For the Years Ended September 30, 2010 and 2009, respectively

2010



2009



# 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 \$1,183,966.

Key elements of these activities are as follows:

- The Water and Sewer fund had a change in net assets of \$428,308. Due to an increase in water rates, operating revenues increased by \$257,041 from the prior year. Operating expenses increased by \$247,184 from the prior year.
- The Stormwater fund had a change in net assets of \$833,298. The addition of new customers to the stormwater utility resulted in additional charges for services of \$348,445. In addition, stormwater customer data was adjusted to more accurately reflect the impervious and pervious square footage of each parcel.
- Decreases in capital grants and in investment earnings reduced non-operating revenues for all business type activities by \$80,907.
- There was a transfer from the general fund to the Medley lakeside retirement park of \$157,931 which is recorded as revenue in that fund. This fund continues to experience operating losses due to the fact that land rents collected from residents do not cover operating expenses. The Medley Town Council has directed that the general fund continue to support the retirement park's operations as needed.

### Financial Analysis of the Government's Funds

As noted earlier, the Town of Medley, Florida uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The table below summarizes the changes in the fund balances of the Town's governmental funds:

	Governmental Funds		
	General Fund	Town of Medley Foundation, Inc.	Total
Revenues	\$ 15,077,049	\$ 22,264	\$ 15,099,313
Expenditures	(16,450,041)	(50,654)	(16,500,695)
Transfers out	(157,931)	-	(157,931)
	<u>\$ (1,530,923)</u>	<u>\$ (28,390)</u>	<u>\$ (1,559,313)</u>

**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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,616,891, a decrease of \$1,559,313 in comparison with the prior year. Ad valorem revenues decreased by \$843,527. As mentioned earlier, this is a result of the decreasing property values. There were also decreases in utility taxes, other general taxes, permits, fees, and licenses and other revenues for a total revenue decrease (including Ad Valorem taxes) of \$937,763. Total expenditures decreased by \$2,134,572. This decrease is due to the completion in 2009 of certain capital projects. 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 \$1,094,396 of its own reserves (an outflow of spendable resources) to fund capital projects. In the prior year \$2,485,381 was borrowed to fund capital projects. 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 \$224,481.

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, assigned and unassigned fund balance of the general fund was \$9,310,329. As a measure of the general fund's liquidity, it may be useful to compare this amount to total fund expenditures. Assigned and unassigned fund balance represents approximately 56.4% of total general fund expenditures.

# TOWN OF MEDLEY, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

### Financial Analysis of the Government's Funds – Continued

**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 \$1,183,966. 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.

### General Fund Budgetary Highlights

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

- Actual ad valorem collections were lower than budgeted because of higher than expected value adjustments reducing assessed values and a decrease in the millage rate.
- 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 were lower than budgeted amounts in the current fiscal year due to the fact that one large budgeted project did not occur.
- Included in miscellaneous revenues is interest on investments, and although lower than the previous year, is higher than budgeted.
- The Town's departments were efficient in staying under budgeted amounts by a total of \$235,010 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 lower than budgeted due to the delay in the construction of the new West Medley Road Special District.

Additional information on budgetary comparisons between the final budget and actual results can be found on 46 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, 2010, amounts to \$164,225,211 (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 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, 2010	2009	September 30, 2010	2009	September 30, 2010	2009		
Land	\$ 3,527,975	\$ 3,524,975	\$ 728,478	\$ 728,478	\$ 4,256,453	\$ 4,253,453	\$ 3,000	0.1 %
Construction in progress	529,904	385,711	824,876	945,945	1,354,780	1,331,656	23,124	1.7
Buildings and improvements	14,316,215	13,954,101	1,109,887	1,109,887	15,426,102	15,063,988	362,114	2.4
Infrastructure	142,226,629	142,226,629	-	-	142,226,629	142,226,629	-	0.0
Machinery, equipment, and vehicles	4,577,641	4,202,943	2,698,572	2,615,460	7,276,213	6,818,403	457,810	6.7
Water and wastewater systems	-	-	23,407,838	20,541,962	23,407,838	20,541,962	2,865,876	14.0
Stormwater systems	-	-	6,761,400	6,606,902	6,761,400	6,606,902	154,498	2.3
Total	165,178,364	164,294,359	35,531,051	32,548,634	200,709,415	196,842,993	3,866,422	2.0
Accumulated depreciation	(24,847,660)	(23,000,310)	(11,636,544)	(10,769,220)	(36,484,204)	(33,769,530)	(2,714,674)	(8.0)
	<u>\$ 140,330,704</u>	<u>\$ 141,294,049</u>	<u>\$ 23,894,507</u>	<u>\$ 21,779,414</u>	<u>\$ 164,225,211</u>	<u>\$ 163,073,463</u>	<u>\$ 1,151,748</u>	<u>0.7 %</u>

Additional information on the Town of Medley, Florida's capital assets can be found in Note 4 on pages 30 through 32 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 \$10,750,478 in notes outstanding versus \$8,543,782 last year. New debt acquired amounted to \$2,572,942 which consists of amounts for wastewater improvement related construction. Repayments amounted to \$366,246. Included in long-term obligations of the governmental fund type is \$918,967 in accrued compensated absence liabilities and \$362,472 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 38 to 41 of this report.

In December 2010, the Town refinanced its Bank United loan with TD Bank under a two series refunded note, Capital Improvement Refunding Revenue Note Series 2010A and Capital Improvement Refunding Revenue Note Series 2010B for \$3,000,000 and \$3,891,116, respectively. The refinancing is expected to save the Town, by additional principal payments and lower interest rates, approximately \$516,000 during the first 5 years and approximately \$1,800,000 over the life of the loans.

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

Over the past two years, the Town has experienced significant losses in ad valorem tax revenue. Between the economic recession that has resulted in lower property values and voter-approved constitutional amendments that took effect last year, the Town's taxable value has decreased by approximately 8%.

The operating millage for the fiscal year ending September 30, 2011, is stated at 5.65 mills. This represents a 1.5 % decrease over the rolled back rate but remains the same as the 2010 millage rate of 5.65 mills. Historically, the rolled back rate has always been lower than the existing rate. However, with new tax laws and the economic recession, the rolled back rate was actually higher.

The Town of Medley, Florida has appropriated \$1,519,630 of their unassigned fund balance for spending in the 2011 fiscal year budget.

From 2001 through 2010, the Town's General Fund total combined fund balances have increased from approximately \$5,800,000 to \$12,500,000. This has enabled the Town to weather the economic recession better than most without having to raise taxes or decrease services to the public.

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.

#### **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, 2010

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 4,209,316	\$ 5,329,457	\$ 9,538,773
Investments	4,685,438	4,022,012	8,707,450
Receivables, net	571,750	1,122,410	1,694,160
Internal balances	1,475,540	(1,475,540)	-
Prepaid expenses	1,702,464	16,501	1,718,965
	<u>12,644,508</u>	<u>9,014,840</u>	<u>21,659,348</u>
Restricted assets:			
Cash and cash equivalents	654,189	548,776	1,202,965
Investments	-	131,316	131,316
Total restricted assets	<u>654,189</u>	<u>680,092</u>	<u>1,334,281</u>
Capital assets:			
Capital assets not being depreciated	103,952,092	1,553,354	105,505,446
Capital assets being depreciated, net	36,378,612	22,341,153	58,719,765
Total capital assets	<u>140,330,704</u>	<u>23,894,507</u>	<u>164,225,211</u>
Other assets, net	<u>-</u>	<u>18,882</u>	<u>18,882</u>
TOTAL ASSETS	<u>153,629,401</u>	<u>33,608,321</u>	<u>187,237,722</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	374,318	1,269,377	1,643,695
Deferred revenue	307,488	133,979	441,467
Liabilities payable from restricted assets	-	524,861	524,861
Notes payable:			
Due within one year	197,355	263,418	460,773
Due after one year	7,990,100	3,581,044	11,571,144
TOTAL LIABILITIES	<u>8,869,261</u>	<u>5,772,679</u>	<u>14,641,940</u>
NET ASSETS			
Investment in capital assets, net of related debt	133,708,365	20,050,045	153,758,410
Restricted	3,306,562	-	3,306,562
Unrestricted	<u>7,745,213</u>	<u>7,785,597</u>	<u>15,530,810</u>
TOTAL NET ASSETS	<u>\$ 144,760,140</u>	<u>\$ 27,835,642</u>	<u>\$ 172,595,782</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

Functions/Programs	Total Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 8,757,818	\$ 1,278,285	\$ -	\$ (7,479,533)	\$ -	\$ (7,479,533)
Public safety	5,814,857	398,473	192,600	(5,223,784)	-	(5,223,784)
Physical environment	756,807	-	-	(756,807)	-	(756,807)
Human services	917,359	-	-	(917,359)	-	(917,359)
Culture and recreation	777,182	-	-	(777,182)	-	(777,182)
Interest on long-term obligations	288,719	-	-	(288,719)	-	(288,719)
Total governmental activities	<u>17,312,742</u>	<u>1,676,758</u>	<u>192,600</u>	<u>(15,443,384)</u>	<u>-</u>	<u>(15,443,384)</u>
Business-Type Activities:						
Water and wastewater utility	4,353,339	4,714,619	-	-	361,280	361,280
Stormwater utility	1,243,888	1,894,542	97,411	-	748,065	748,065
Medley lakeside retirement park	337,138	172,073	-	-	(165,065)	(165,065)
Police gun range	291,336	218,085	-	-	(73,251)	(73,251)
Total business-type activities	<u>6,225,701</u>	<u>6,999,319</u>	<u>97,411</u>	<u>-</u>	<u>871,029</u>	<u>871,029</u>
	<u>\$ 23,538,443</u>	<u>\$ 8,676,077</u>	<u>\$ 290,011</u>	<u>(15,443,384)</u>	<u>871,029</u>	<u>(14,572,355)</u>
General Revenues:						
Ad valorem taxes				10,011,938	-	10,011,938
Utility taxes				992,777	-	992,777
Other general taxes				726,188	-	726,188
Intergovernmental				202,204	-	202,204
Franchise fees				923,712	-	923,712
Investment earnings				228,926	155,006	383,932
Miscellaneous				144,210	-	144,210
Transfers				(157,931)	157,931	-
Total general revenues				<u>13,072,024</u>	<u>312,937</u>	<u>13,384,961</u>
Change in net assets				(2,371,360)	1,183,966	(1,187,394)
Net Assets, Beginning of Year				<u>147,131,500</u>	<u>26,651,676</u>	<u>173,783,176</u>
Net Assets, End of Year				<u>\$ 144,760,140</u>	<u>\$ 27,835,642</u>	<u>\$ 172,595,782</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

BALANCE SHEET  
GOVERNMENTAL FUNDS

September 30, 2010

ASSETS	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
Cash and cash equivalents	\$ 3,990,506	\$ 218,810	\$ 4,209,316
Investments	4,685,438	-	4,685,438
Receivables, net	571,750	-	571,750
Due from other funds	744,441	-	744,441
Prepaid items	1,702,464	-	1,702,464
Restricted assets – cash and cash equivalents	654,189	-	654,189
Advances to other funds	803,777	-	803,777
<b>TOTAL ASSETS</b>	<b>\$ 13,152,565</b>	<b>\$ 218,810</b>	<b>\$ 13,371,375</b>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 374,318	\$ -	\$ 374,318
Deferred revenue	307,488	-	307,488
Due to other funds	-	72,678	72,678
Total liabilities	<u>681,806</u>	<u>72,678</u>	<u>754,484</u>
Fund Equity:			
Fund balance:			
Nonspendable	1,702,464	-	1,702,464
Restricted	654,189	-	654,189
Committed	803,777	146,132	949,909
Assigned	6,350,000	-	6,350,000
Unassigned	2,960,329	-	2,960,329
Total fund equity	<u>12,470,759</u>	<u>146,132</u>	<u>12,616,891</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 13,152,565</b>	<b>\$ 218,810</b>	<b>\$ 13,371,375</b>
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets:			
Total fund balance – total governmental funds			\$ 12,616,891
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets of \$165,178,364, net of accumulated depreciation of \$24,847,660, are not financial resources and, therefore, are not reported in the funds			140,330,704
Long-term obligations of \$8,187,455 are not due and payable in the current period and are not reported in the funds			(8,187,455)
Net assets of governmental activities			<u>\$ 144,760,140</u>

See accompanying notes.



TOWN OF MEDLEY, FLORIDA

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

Year Ended September 30, 2010

	General Fund	Town of Medley Foundation, Inc.	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 10,011,938	\$ -	\$ 10,011,938
Utility taxes	992,777	-	992,777
Other general taxes	917,393	-	917,393
Intergovernmental	394,804	-	394,804
Permits, fees, and licenses	2,010,792	-	2,010,792
Fines and forfeitures	310,209	-	310,209
User charges	85,026	-	85,026
Miscellaneous	354,110	22,264	376,374
Total revenues	15,077,049	22,264	15,099,313
Expenditures:			
Current operating:			
General government	7,081,646	-	7,081,646
Public safety	5,468,299	-	5,468,299
Physical environment	725,917	-	725,917
Human services	870,356	-	870,356
Culture and recreation	659,996	50,654	710,650
Capital outlay	1,094,396	-	1,094,396
Debt service	549,431	-	549,431
Total expenditures	16,450,041	50,654	16,500,695
Deficiency of Revenues Over Expenditures	(1,372,992)	(28,390)	(1,401,382)
Other Financing Uses:			
Transfers out	(157,931)	-	(157,931)
Deficiency of Revenues Over Expenditures and Other Financing Uses	(1,530,923)	(28,390)	(1,559,313)
Fund Balances, Beginning of Year	14,001,682	174,522	14,176,204
Fund Balances, End of Year	\$ 12,470,759	\$ 146,132	\$ 12,616,891

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities:

Net change in fund balances – total governmental funds	\$ (1,559,313)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$2,057,741 exceeded capital outlays of \$1,094,396 in the current period.	(963,345)
Change in long-term compensated absences recognized in statement of government activities, not recognized as expenditures.	47,609
Change in other post employment benefits liability, not recognized as expenditures	(157,023)
Repayment of notes payable is reported as an expenditure in governmental funds and, thus, has an effect on fund balance because current financial resources have been used for the Town as a whole, however, the principal payments reduce liabilities in the statement of net assets and do not result in expense in the statement of activities.	260,712
Change in net assets of governmental activities	\$ (2,371,360)

See accompanying notes.

## TOWN OF MEDLEY, FLORIDA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

September 30, 2010

ASSETS	Major Funds		Other Proprietary Funds	Total
	Water and Wastewater Fund	Stormwater Utility Fund		
Current Assets:				
Cash and cash equivalents	\$ 2,958,558	\$ 2,237,361	\$ 133,538	\$ 5,329,457
Investments	881,568	3,085,444	55,000	4,022,012
Receivables, net	624,120	137,514	26,175	787,809
Due from other governments	298,148	36,453	-	334,601
Due from other funds	102,228	6,033	-	108,261
Prepaid expenses	-	8,579	7,922	16,501
Total current assets	<u>4,864,622</u>	<u>5,511,384</u>	<u>222,635</u>	<u>10,598,641</u>
Noncurrent Assets:				
Restricted assets:				
Cash and cash equivalents	548,776	-	-	548,776
Investments	131,316	-	-	131,316
Total restricted assets	<u>680,092</u>	<u>-</u>	<u>-</u>	<u>680,092</u>
Capital Assets, net	16,924,857	6,736,443	233,207	23,894,507
Other Assets – Loan Costs, net	18,882	-	-	18,882
Total noncurrent assets	<u>17,623,831</u>	<u>6,736,443</u>	<u>233,207</u>	<u>24,593,481</u>
TOTAL ASSETS	<u>22,488,453</u>	<u>12,247,827</u>	<u>455,842</u>	<u>35,192,122</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	1,108,559	131,063	29,755	1,269,377
Refundable advances	-	133,979	-	133,979
Due to other funds	446,822	246,325	86,877	780,024
Liabilities payable from restricted assets:				
Utility deposits	407,685	-	-	407,685
Deferred developer fees	117,176	-	-	117,176
Current portion of long-term debt:				
Notes payable	208,548	54,870	-	263,418
Advance from other fund	367,466	-	-	367,466
Total current liabilities	<u>2,656,256</u>	<u>566,237</u>	<u>116,632</u>	<u>3,339,125</u>
Long-Term Debt, less current portion:				
Notes payable	3,576,463	4,581	-	3,581,044
Advance from other fund	436,311	-	-	436,311
Total long-term debt	<u>4,012,774</u>	<u>4,581</u>	<u>-</u>	<u>4,017,355</u>
TOTAL LIABILITIES	<u>6,669,030</u>	<u>570,818</u>	<u>116,632</u>	<u>7,356,480</u>
NET ASSETS				
Investment in Capital Assets, net of related debt	13,139,846	6,676,992	233,207	20,050,045
Unrestricted	<u>2,679,577</u>	<u>5,000,017</u>	<u>106,003</u>	<u>7,785,597</u>
TOTAL NET ASSETS	<u>\$ 15,819,423</u>	<u>\$ 11,677,009</u>	<u>\$ 339,210</u>	<u>\$ 27,835,642</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

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

Year Ended September 30, 2010

	Major Funds		Other	
	Water and Wastewater Fund	Stormwater Utility Fund	Proprietary Funds	Total
Operating Revenues:				
User charges	\$ 4,605,241	\$ 1,883,081	\$ 389,258	\$ 6,877,580
Service and hook-up charges	92,695	-	-	92,695
Miscellaneous other	16,683	11,461	900	29,044
Total operating revenues	<u>4,714,619</u>	<u>1,894,542</u>	<u>390,158</u>	<u>6,999,319</u>
Operating Expenses:				
Salaries, wages, and employee benefits	1,446,542	438,813	182,650	2,068,005
Contractual services, materials, and supplies	2,214,888	566,719	397,198	3,178,805
Depreciation and amortization	604,909	234,701	48,626	888,236
Total operating expenses	<u>4,266,339</u>	<u>1,240,233</u>	<u>628,474</u>	<u>6,135,046</u>
Operating Income (Loss)	<u>448,280</u>	<u>654,309</u>	<u>(238,316)</u>	<u>864,273</u>
Non-Operating Revenues (Expenses):				
Grants	-	97,411	-	97,411
Interest income	67,028	85,233	2,745	155,006
Interest expense	(87,000)	(3,655)	-	(90,655)
Total non-operating revenues (expenses)	<u>(19,972)</u>	<u>178,989</u>	<u>2,745</u>	<u>161,762</u>
Income (Loss) Before Transfers	<u>428,308</u>	<u>833,298</u>	<u>(235,571)</u>	<u>1,026,035</u>
Transfers:				
Transfers in	<u>-</u>	<u>-</u>	<u>157,931</u>	<u>157,931</u>
Total transfers	<u>-</u>	<u>-</u>	<u>157,931</u>	<u>157,931</u>
Net Income (Loss)	428,308	833,298	(77,640)	1,183,966
Net Assets, Beginning of Year	<u>15,391,115</u>	<u>10,843,711</u>	<u>416,850</u>	<u>26,651,676</u>
Net Assets, End of Year	<u>\$ 15,819,423</u>	<u>\$ 11,677,009</u>	<u>\$ 339,210</u>	<u>\$ 27,835,642</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

Year Ended September 30, 2010

	Major Funds			
	Water and Wastewater Fund	Stormwater Utility Fund	Other Proprietary Funds	Total
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 4,438,067	\$ 1,750,658	\$ 408,790	\$ 6,597,515
Payments to suppliers	(2,541,187)	(424,890)	(419,142)	(3,385,219)
Payments to employees	(1,430,270)	(416,943)	(184,965)	(2,032,178)
Other receipts	16,683	10,077	850	27,610
Net cash provided by (used in) operating activities	483,293	918,902	(194,467)	1,207,728
Cash Flows From Noncapital Financing Activities:				
Increase in current liabilities payable from restricted assets	5,704	-	-	5,704
Transfers from other funds	-	-	157,931	157,931
Change in due from/to other funds	(277,131)	69,048	45,668	(162,415)
Net cash provided by (used in) noncapital financing activities	(271,427)	69,048	203,599	1,220
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(2,297,256)	(444,421)	(2,928)	(2,744,605)
Advances from other funds	(277,339)	-	-	(277,339)
Proceeds from capital grants	-	89,873	-	89,873
Proceeds from sale of assets	-	2,745	-	2,745
Proceeds from issuance of debt	2,572,942	-	-	2,572,942
Principal reduction on notes payable	(57,467)	(48,067)	-	(105,534)
Interest paid on notes payable	(64,485)	(3,655)	-	(68,140)
Net cash used in capital and related financing activities	(123,605)	(403,525)	(2,928)	(530,058)
Cash Flows From Investing Activities:				
Redemption of investments	913,150	254,683	76,886	1,244,719
Purchases of investments	(319,724)	(65,393)	(56,142)	(441,259)
Interest income received	78,385	81,245	2,745	162,375
Net cash provided by investing activities	671,811	270,535	23,489	965,835
Net Increase in Cash and Cash Equivalents	760,072	854,960	29,693	1,644,725
Cash and Cash Equivalents, Beginning of Year	2,747,262	1,382,401	103,845	4,233,508
Cash and Cash Equivalents, End of Year	<u>\$ 3,507,334</u>	<u>\$ 2,237,361</u>	<u>\$ 133,538</u>	<u>\$ 5,878,233</u>
Reported as follows in the Statement of Net Assets:				
Cash and cash equivalents	\$ 2,958,558	\$ 2,237,361	\$ 133,538	\$ 5,329,457
Restricted cash and cash equivalents	548,776	-	-	548,776
	<u>\$ 3,507,334</u>	<u>\$ 2,237,361</u>	<u>\$ 133,538</u>	<u>\$ 5,878,233</u>

(Continued)

See accompanying notes.

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

Year Ended September 30, 2010

	Major Funds		Other	
	Water and Wastewater Fund	Stormwater Utility Fund	Proprietary Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)				
Operating Activities:				
Operating income (loss)	\$ 448,280	\$ 654,309	\$ (238,316)	\$ 864,273
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	604,909	234,701	48,626	888,236
Bad debt expense	33,462	88,960	11,990	134,412
Loss on disposal of assets	-	(1,384)	-	(1,384)
Changes in:				
Receivables	38,279	(132,423)	19,532	(74,612)
Due from other governments	(298,148)	-	-	(298,148)
Prepaid expenses	-	9,000	-	9,000
Accounts payable and accrued liabilities	(359,761)	43,869	(33,985)	(349,877)
Compensated absences	16,272	21,870	(2,314)	35,828
Net Cash Provided by (Used in)				
Operating Activities	\$ <u>483,293</u>	\$ <u>918,902</u>	\$ <u>(194,467)</u>	\$ <u>1,207,728</u>

See accompanying notes.

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

September 30, 2010

ASSETS	Pension Trust Funds		Total
	General Employees Pension Fund	Police Officers' Retirement Fund	
Accounts receivable	\$ -	\$ 10,917	\$ 10,917
Investments at fair value	8,491,233	9,352,647	17,843,880
<b>TOTAL ASSETS</b>	<b>8,491,233</b>	<b>9,363,564</b>	<b>17,854,797</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts payable	1,204	-	1,204
Advance contributions from Town	1,138,688	468,405	1,607,093
<b>TOTAL LIABILITIES</b>	<b>1,139,892</b>	<b>468,405</b>	<b>1,608,297</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 7,351,341</b>	<b>\$ 8,895,159</b>	<b>\$ 16,246,500</b>

See accompanying notes.

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

Year Ended September 30, 2010

	Pension Trust Funds		
	General	Police Officers'	
	Employees	Retirement	
	Pension Fund	Fund	Total
Additions:			
Contributions:			
Employer	\$ 1,371,965	\$ 1,903,146	\$ 3,275,111
Employee	-	139,703	139,703
Total contributions	1,371,965	2,042,849	3,414,814
Investment earnings, including net unrealized gain on investments	675,486	793,169	1,468,655
Total additions	2,047,451	2,836,018	4,883,469
Deductions:			
Benefit payments	232,159	349,922	582,081
Administrative expenses	5,223	30,554	35,777
Total deductions	237,382	380,476	617,858
Change in net assets	1,810,069	2,455,542	4,265,611
Net Assets Held in Trust for Pension Benefits:			
Beginning of year	5,541,272	6,439,617	11,980,889
End of year	\$ 7,351,341	\$ 8,895,159	\$ 16,246,500

See accompanying notes.

TOWN OF MEDLEY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

**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, 2010.

**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 GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

## TOWN OF MEDLEY, FLORIDA

### NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

#### 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, 2010, the carrying amount of the Town's deposits was \$10,741,738 and the bank balances of the Town's deposits were \$10,845,723. 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 28% of its investments in fixed income securities, 61% in domestic equity, and 11% in international stock. The Police Officers Retirement Fund presently has allocated 30% of its investment in fixed income securities, 60% in domestic equity, and 10% in international stock.

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

(d) Concentrations of Credit Risk

Investments which comprise 5% or more of the plans' assets at September 30, 2010, are as follows:

	General Employees Pension Fund	Police Officers' Retirement Fund
Davis New York Venture Y	\$ 585,757	\$ -
Harbor Bond	693,446	1,393,856
Harbor International Instl	465,173	-
Stable Asset Fund II	1,669,860	1,379,009
T. Rowe Price Equity – Income	1,305,202	-
T. Rowe Price Growth Stock	1,373,733	-
Thornburg Interntl Value R5	-	941,455
Vanguard 500 Index Admiral DB	-	1,215,410
Vanguard Morgan Growth Adml DB	-	1,236,701
Vanguard Value Index – DB	583,766	1,198,713
William Blair Intl Growth I	474,422	-
	<u>\$ 7,151,359</u>	<u>\$ 7,365,144</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**

(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 13 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 \$1,688 for the year ended September 30, 2010. Loan costs consist of the following at September 2010:

	Water and Wastewater Fund
Loan costs	\$ 26,814
Accumulated amortization	<u>(7,932)</u>
	<u>\$ 18,882</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, 2010, 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

Beginning with fiscal year 2010, the Town implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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**

**(10) Fund Equity – Continued**

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

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

**F. Employee Benefit Plans:**

**(1) Employee Benefit Plans and Net Pension Assets**

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

At September 30, 2010, 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 and are included in prepaid items. Please refer to Note 7 for further information.

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

The Town provides 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.

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.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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

**G. Stewardship, Compliance, and Accountability**

**Budgetary Information**

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

**Legally Adopted Appropriated Budgets:**

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

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

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

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

**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 June 1, 2011, the date which the financial statements were available to be issued.

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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

Cash and cash equivalents at September 30, 2010, consist of the following:

	Governmental Fund Types		Proprietary Fund Type		Financial Institution Balance
	General Fund	Special Revenue Fund	Enterprise Funds	Total All Funds	
Unrestricted:					
Demand deposits	\$ 714,373	\$ -	\$ 3,245,922	\$ 3,960,295	\$ 4,225,559
Money market funds	<u>3,276,133</u>	<u>218,810</u>	<u>2,083,535</u>	<u>5,578,478</u>	<u>5,420,307</u>
	<u>3,990,506</u>	<u>218,810</u>	<u>5,329,457</u>	<u>9,538,773</u>	<u>9,645,866</u>
Restricted:					
Demand deposits	26,806 <sup>3</sup>	-	393,544 <sup>1 &amp; 4</sup>	420,350	420,350
Money market funds	<u>627,383 <sup>3 &amp; 5</sup></u>	<u>-</u>	<u>155,232 <sup>2</sup></u>	<u>782,615</u>	<u>779,507</u>
	<u>654,189</u>	<u>-</u>	<u>548,776</u>	<u>1,202,965</u>	<u>1,199,857</u>
Total Cash and Cash Equivalents	<u>\$ 4,644,695</u>	<u>\$ 218,810</u>	<u>\$ 5,878,233</u>	<u>\$ 10,741,738</u>	<u>\$ 10,845,723</u>

Investments at September 30, 2010, consist of the following:

	Governmental Funds	Proprietary Fund Type		Financial Institution Balance
	General Fund	Enterprise Funds	Total All Funds	
	Cost and Fair Value	Cost and Fair Value	Cost and Fair Value	
Unrestricted:				
Certificates of deposit	\$ 4,685,438	\$ 4,022,012	\$ 8,707,450	\$ 8,743,319
Restricted:				
Certificates of deposit	<u>-</u>	<u>131,316 <sup>1</sup></u>	<u>131,316</u>	<u>131,316</u>
Total Investments	<u>\$ 4,685,438</u>	<u>\$ 4,153,328</u>	<u>\$ 8,838,766</u>	<u>\$ 8,874,635</u>

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

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

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

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

<sup>5</sup> Restricted for transportation



TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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

Receivables and due from other governments consist of the following at September 30, 2010:

	Governmental Fund	Enterprise Funds				
	General Fund	Water and Wastewater	Stormwater Utility	Police Gun Range	Total Enterprise	Total
Receivables:						
User charges	\$ 27,475	\$ 642,230	\$ 174,415	\$ 35,130	\$ 851,775	\$ 879,250
Interest	65,876	11,890	58,099	1,045	71,034	136,910
Utility taxes	88,293	-	-	-	-	88,293
Franchise fees	129,330	-	-	-	-	129,330
Other	79,278	-	-	-	-	79,278
Total receivables	<u>390,252</u>	<u>654,120</u>	<u>232,514</u>	<u>36,175</u>	<u>922,809</u>	<u>1,313,061</u>
Due From Other Governments:						
Ad valorem	84,226	-	-	-	-	84,226
Communication services	58,812	-	-	-	-	58,812
Grants	16,981	298,148	36,453	-	334,601	351,582
Other	38,104	-	-	-	-	38,104
Total due from other governments	<u>198,123</u>	<u>298,148</u>	<u>36,453</u>	<u>-</u>	<u>334,601</u>	<u>532,724</u>
Less Allowance for Doubtful Accounts	<u>(16,625)</u>	<u>(30,000)</u>	<u>(95,000)</u>	<u>(10,000)</u>	<u>(135,000)</u>	<u>(151,625)</u>
	<u>\$ 571,750</u>	<u>\$ 922,268</u>	<u>\$ 173,967</u>	<u>\$ 26,175</u>	<u>\$ 1,122,410</u>	<u>\$ 1,694,160</u>

**4. Capital Assets:**

**A. Changes in Capital Assets**

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance, October 1, 2009	Additions	Dispositions	Transfers	Balance, September 30, 2010
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,524,975	\$ 3,000	\$ -	\$ -	\$ 3,527,975
Infrastructure	99,894,213	-	-	-	99,894,213
Construction in progress	385,711	254,757	-	(110,564)	529,904
Total capital assets not being depreciated	<u>103,804,899</u>	<u>257,757</u>	<u>-</u>	<u>(110,564)</u>	<u>103,952,092</u>
Capital assets being depreciated:					
Buildings and improvements	13,954,101	276,532	(24,982)	110,564	14,316,215
Infrastructure	42,332,416	-	-	-	42,332,416
Transportation equipment	2,152,565	176,596	(182,042)	-	2,147,119
Machinery and equipment	2,050,378	383,511	(3,367)	-	2,430,522
Total capital assets being depreciated	<u>60,489,460</u>	<u>836,639</u>	<u>(210,391)</u>	<u>110,564</u>	<u>61,226,272</u>
Accumulated depreciation	<u>(23,000,310)</u>	<u>(2,057,741)</u>	<u>210,391</u>	<u>-</u>	<u>(24,847,660)</u>
Capital assets being depreciated, net	<u>37,489,150</u>	<u>(1,221,102)</u>	<u>-</u>	<u>110,564</u>	<u>36,378,612</u>
Governmental activities – capital assets, net	<u>\$ 141,294,049</u>	<u>\$ (963,345)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,330,704</u>

## TOWN OF MEDLEY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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

	Balance, October 1, 2009	Additions	Dispositions	Transfers	Balance, September 30, 2010
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	408,539	-	-	(408,539)	-
Stormwater utility fund	537,406	430,645	-	(143,175)	824,876
	<u>945,945</u>	<u>430,645</u>	<u>-</u>	<u>(551,714)</u>	<u>824,876</u>
Total capital assets not being depreciated	<u>1,674,423</u>	<u>430,645</u>	<u>-</u>	<u>(551,714)</u>	<u>1,553,354</u>
Capital assets being depreciated:					
Water, wastewater, and stormwater utility systems:					
Water and wastewater fund	20,541,962	2,457,337	-	408,539	23,407,838
Stormwater utility fund	6,606,902	11,323	-	143,175	6,761,400
	<u>27,148,864</u>	<u>2,468,660</u>	<u>-</u>	<u>551,714</u>	<u>30,169,238</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	242,563	-	-	-	242,563
	<u>1,109,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,109,887</u>
Transportation equipment:					
Water and wastewater fund	567,935	27,975	-	-	595,910
Stormwater utility fund	418,364	-	(20,585)	-	397,779
Medley lakeside retirement park fund	3,634	-	-	-	3,634
	<u>989,933</u>	<u>27,975</u>	<u>(20,585)</u>	<u>-</u>	<u>997,323</u>
Machinery and equipment:					
Water and wastewater fund	927,012	70,341	-	-	997,353
Stormwater utility fund	566,728	2,453	-	-	569,181
Medley lakeside retirement park fund	32,874	-	-	-	32,874
Police gun range fund	98,913	2,928	-	-	101,841
	<u>1,625,527</u>	<u>75,722</u>	<u>-</u>	<u>-</u>	<u>1,701,249</u>
Total capital assets being depreciated:					
Water and wastewater fund	22,604,610	2,555,653	-	408,539	25,568,802
Stormwater utility fund	7,591,994	13,776	(20,585)	143,175	7,728,360
Medley lakeside retirement park fund	336,131	-	-	-	336,131
Police gun range fund	341,476	2,928	-	-	344,404
	<u>30,874,211</u>	<u>2,572,357</u>	<u>(20,585)</u>	<u>551,714</u>	<u>33,977,697</u>
Accumulated depreciation:					
Water and wastewater fund	(8,484,962)	(603,221)	-	-	(9,088,183)
Stormwater utility fund	(1,601,316)	(234,701)	19,224	-	(1,816,793)
Medley lakeside retirement park fund	(476,305)	(26,822)	-	-	(503,127)
Police gun range fund	(206,637)	(21,804)	-	-	(228,441)
Total accumulated depreciation	<u>(10,769,220)</u>	<u>(886,548)</u>	<u>19,224</u>	<u>-</u>	<u>(11,636,544)</u>
Capital assets being depreciated, net	<u>20,104,991</u>	<u>1,685,809</u>	<u>(1,361)</u>	<u>551,714</u>	<u>22,341,153</u>
Business-type activities – capital assets, net	<u>\$ 21,779,414</u>	<u>\$ 2,116,454</u>	<u>\$ (1,361)</u>	<u>\$ -</u>	<u>\$ 23,894,507</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	\$ 1,629,821
Public safety	284,159
Physical environment	28,346
Human services	48,883
Culture and recreation	<u>66,532</u>
	<u>\$ 2,057,741</u>
Business-type Activities:	
Water and wastewater utility	<u>\$ 603,221</u>
Stormwater utility	<u>\$ 234,701</u>
Medley lakeside retirement park	<u>\$ 26,822</u>
Police gun range	<u>\$ 21,804</u>

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

Accounts payable and accrued liabilities consist of the following at September 30, 2010:

	Governmental Fund	Enterprise Funds					
	General Fund	Water and Wastewater	Stormwater Utility	Lakeside Retirement Park	Police Gun Range	Total Enterprise	Total
Vendors	\$ 239,236	\$ 478,166	\$ 62,564	\$ 10,714	\$ 8,383	\$ 559,827	\$ 799,063
Salaries and benefits	135,082	101,507	30,141	330	6,134	138,112	273,194
Compensated absences	-	117,869	38,358	-	4,194	160,421	160,421
Interest	-	32,515	-	-	-	32,515	32,515
DERM taxes	-	378,502	-	-	-	378,502	378,502
	<u>\$ 374,318</u>	<u>\$ 1,108,559</u>	<u>\$ 131,063</u>	<u>\$ 11,044</u>	<u>\$ 18,711</u>	<u>\$ 1,269,377</u>	<u>\$ 1,643,695</u>

**6. Ad Valorem Tax Revenues:**

The Town levied a millage rate of \$5.65 per \$1,000 of assessed value for the fiscal year 2010 and \$5.65 for the fiscal year 2011. 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, 2009.
- **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:

	<b>General Employees Pension Plan</b>	<b>Police Officers' Retirement Plan</b>	<b>Total</b>
Active members	59	32	91
Retirees and beneficiaries currently receiving benefits	8	2	10
Terminated plan members entitled to but not yet receiving benefits	9	-	9
	<u>76</u>	<u>34</u>	<u>110</u>

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

	<b>General Employees Pension Plan</b>	<b>Police Officers' Retirement Plan</b>
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, 2009	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,						
2010	\$1,371,965	102%	\$ (1,138,688)	\$1,903,146	102%	\$ (468,405)
2009	1,397,378	111	(1,110,653)	1,653,252	106	(433,441)
2008	1,078,125	135	(958,031)	1,289,507	123	(332,994)
2007	1,061,492	141	(584,852)	1,228,102	98	30,478
2006	980,260	148	(159,540)	1,137,698	100	-

**(6) Reserves**

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

**B. Money Purchase Plan**

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

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

# TOWN OF MEDLEY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### 7. Employee Benefit Plans – Continued:

#### B. Money Purchase Plan – Continued

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

As of September 30, 2010, there were 72, 8, and 4 active 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 Person 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 persons, 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 \$282,933, \$139,254, and \$27,404, 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 2010, eleven 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 \$119,000. At September 30, 2010, the Town recorded net OPEB obligations of \$362,472 for governmental activities and \$120,528 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, 2010, of \$86,609, \$28,274, and \$5,645, 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	(119,000)
Interest on Employer Contributions	-
	<hr/>
Increase in Net OPEB Obligation	209,000
Net OPEB Obligation-beginning of year	274,000
	<hr/>
Net OPEB Obligation-end of year	\$ 483,000

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2010, and the preceding year (first year of implementation), were as follows:

Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributions	Net OPEB Obligations
2010	\$ 328,000	36.3%	\$ 483,000
2009	328,000	16.5%	274,000

## 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 date of the most recent actuarial valuation, 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 ARC 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, 2010, the Town received \$218,035 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, 2010, the Town received \$171,223 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
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	60,000	53,293	113,293
2016 – 2020	300,000	319,535	619,535
2021 – 2025	300,000	418,207	718,207
2026 – 2029	210,000	360,411	570,411
	<u>\$ 1,110,000</u>	<u>\$ 1,332,566</u>	<u>\$ 2,442,566</u>

Total fiscal 2010 rental expenditures under the ground lease were \$99,630 including \$39,630 of contingent rentals.

Total rents under all operating leases, including short-term, month-to-month rentals, were \$129,609 for the year ended September 30, 2010.

**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, 2010, are as follows:

	Balance, October 1, 2009	Additions	Reductions	Balance, September 30, 2010
Notes payable	\$ 7,166,728	\$ -	\$ 260,712	\$ 6,906,016
Compensated absences	966,576	-	47,609	918,967
Other post employment benefits	205,449	157,023	-	362,472
	<u>\$ 8,338,753</u>	<u>\$ 157,023</u>	<u>\$ 308,321</u>	<u>\$ 8,187,455</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:

<u>Fiscal Year</u>	<u>Governmental Fund Type</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$ 197,355	\$ 277,202	\$ 474,557
2012	183,505	270,063	453,568
2013	191,860	261,708	453,568
2014	199,808	253,760	453,568
2015	208,084	245,484	453,568
2016 – 2020	<u>5,925,404</u>	<u>2,541,198</u>	<u>8,466,602</u>
	<u>\$ 6,906,016</u>	<u>\$ 3,849,415</u>	<u>\$ 10,755,431</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 – 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	\$ 6,885,591
Capital lease – Key Equipment Finance, Inc., monthly payments of \$1,846 including interest at 4.79% through September 2011, collateralized by underlying equipment	<u>20,425</u>
	<u>\$ 6,906,016</u>

The present value of future minimum lease payments under the capital lease at September 30, 2010, is as follows:

Total payments required	\$ 20,989
Less amount representing interest	<u>(564)</u>
Present value of future minimum lease payments	<u>\$ 20,425</u>

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

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, 2010, are as follows:

	Balance, October 1, 2009	Additions	Reductions	Balance, September 30, 2010
Notes payable	\$ 1,269,536	\$ 2,572,942	\$ 57,467	\$ 3,785,011
Capital leases	107,518	-	48,067	59,451
	<u>\$ 1,377,054</u>	<u>\$ 2,572,942</u>	<u>\$ 105,534</u>	<u>\$ 3,844,462</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	\$ 993,909
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.05% per annum (Phase 1) and 2.54% per annum (Phase 2), payable in semiannual principal and interest payments of \$105,479 on April 15 and October 15 through October 15, 2026, uncollateralized; payments subsidized by a grant agreement with the State of Florida Department of Environmental Protection in the amount of \$75,322 semiannually	2,791,102
Capital Lease – Master equipment lease, 1 <sup>st</sup> Source Bank, monthly payments of \$4,702 including interest at 4.69% through October 2011, collateralized by underlying equipment	59,451
	<u>\$ 3,844,462</u>

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

<u>Fiscal Year</u>	<u>Proprietary Fund Type</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 263,418	\$ 90,015	\$ 353,433
2012	209,703	91,905	301,608
2013	210,517	86,492	297,009
2014	213,914	83,095	297,009
2015	226,712	70,297	297,009
2016 – 2020	1,201,980	283,065	1,485,045
2021 – 2025	1,273,523	215,016	1,488,539
2026 – 2030	244,695	5,434	250,129
	<u>\$ 3,844,462</u>	<u>\$ 925,319</u>	<u>\$ 4,769,781</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, 2010, is as follows:

Total payments required	\$ 61,023
Less amount representing interest	<u>(1,572)</u>
Present value of future minimum lease payments	<u>\$ 59,451</u>

Equipment under the capital lease is \$119,753 and is included in capital assets, net of accumulated depreciation of \$51,323.

Interest costs incurred in enterprise funds during construction are capitalized, net of interest income from the proceeds of related tax-exempt debt, if any, as part of the cost of the related assets of the water and wastewater fund. Total interest cost incurred in the water and wastewater fund was \$92,530 for the year ended September 30, 2010. Interest capitalized was \$5,530 and interest expensed was \$87,000.

**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, 2010.

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

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

**11. Commitments and Contingencies:**

**A. Litigation and Other Matters**

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

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

The Town has retained a consultant to amend its comprehensive plan including capital improvement elements. The installation of necessary stormwater, drainage, and other infrastructure projects is an ongoing process. Town management has identified 8 to 10 projects estimated to cost \$27 million in 2010 dollars over five to ten years.

# TOWN OF MEDLEY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### 11. Commitments and Contingencies – Continued:

#### C. Mitigation with Miami-Dade County and Annexation

In connection with certain land annexed to the Town in previous years, an annual payment for mitigation is due to Miami-Dade County. The annual payment is calculated by taking 95% of the certified taxable value of the annexed land times the millage rate stated in the annexation agreement. Additionally, the Town pays an allocated portion of the debt service of the County's stormwater utility bond payment as related to the annexed lands. For the year ended September 30, 2010, these payments totaled \$717,458 and \$14,209, respectively. The Town anticipates that the mitigation obligation will be phased out under a plan being developed by Miami-Dade County which is expected to be resolved in fiscal year 2011.

The Town is currently pursuing the annexation of additional lands which it believes will assist in the long-term growth by an increased tax base and significant job creation, but will cost the Town additional monies for utility line construction and public safety.

#### D. Grant Expenditures

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

### 12. Subsequent Events:

- In December 2010, the Bank United loan was refinanced with TD Bank under a two series refunding note.
- The executive and council person money purchase plans were terminated effective January 1, 2011. A new Town of Medley Money Purchase Plan was formed on January 1, 2011, in which all former executive and council plan members are now participating. The Town contribution in the new plan is 5% and vesting is immediate for eligible participants.

### 13. 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, 2010, were:

Fund:	Interfund Receivables	Interfund Payables
Governmental funds:		
General fund	\$ 744,441	\$ -
Special revenue fund	-	72,678
Enterprise funds:		
Water and wastewater fund	102,228	446,822
Stormwater utility fund	6,033	246,325
Medley Lakeside Retirement Park fund	-	8,583
Police gun range fund	-	78,294
	<u>\$ 852,702</u>	<u>\$ 852,702</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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

**A. Interfund Transactions and Balances – Continued**

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 13(B).

Interfund transfers for the year ended September 30, 2010, were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Medley lakeside retirement park fund	\$ <u>          -</u>	\$ <u>      157,931</u>
Medley Lakeside Retirement Park Fund:		
General fund	<u>      157,931</u>	<u>                  -</u>
	\$ <u><u>      157,931</u></u>	\$ <u><u>      157,931</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 3%. Monthly payments of principal and interest of \$35,000 are due until maturity in October 2012. The balance of this advance at September 30, 2010, was \$803,777.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 367,466	\$ 17,534	\$ 385,000
2012	412,553	7,447	420,000
2013	<u>23,758</u>	<u>59</u>	<u>23,817</u>
	\$ <u><u>803,777</u></u>	\$ <u><u>25,040</u></u>	\$ <u><u>828,817</u></u>

## TOWN OF MEDLEY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

**14. Fund Balance:**

The Town's fund balances are as follows at September 30, 2010:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Nonspendable:			
Prepays	\$ 1,702,464	\$ -	\$ 1,702,464
Total nonspendable	<u>1,702,464</u>	<u>-</u>	<u>1,702,464</u>
Restricted:			
Law enforcement	421,377	-	421,377
Transportation	<u>232,812</u>	<u>-</u>	<u>232,812</u>
Total restricted	<u>654,189</u>	<u>-</u>	<u>654,189</u>
Committed:			
Advances to enterprise fund	803,777	-	803,177
Foundation activities	<u>-</u>	<u>146,132</u>	<u>146,132</u>
Total committed	<u>803,777</u>	<u>146,132</u>	<u>949,909</u>
Assigned:			
Pension	3,500,000	-	3,500,000
Working capital	2,100,000	-	2,100,000
Retiree health insurance	250,000	-	250,000
Debt service	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total assigned	<u>6,350,000</u>	<u>-</u>	<u>6,350,000</u>
Unassigned	<u>2,960,329</u>	<u>-</u>	<u>2,960,329</u>
Total fund balance	\$ <u><u>12,470,759</u></u>	\$ <u><u>146,132</u></u>	\$ <u><u>12,616,891</u></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, 2010

	Original and Final Budget	Actual	Variance with Final Budget – Over (Under)
Revenues:			
Ad valorem taxes	\$ 10,236,390	\$ 10,011,938	\$ (224,452)
Utility taxes	1,020,000	992,777	(27,223)
Other general taxes	1,100,000	917,393	(182,607)
Intergovernmental	1,228,125	394,804	(833,321)
Permits, fees, and licenses	2,025,000	2,010,792	(14,208)
Fines and forfeitures	63,000	310,209	247,209
User charges	50,000	85,026	35,026
Miscellaneous	250,000	354,110	104,110
Total revenues	<u>15,972,515</u>	<u>15,077,049</u>	<u>(895,466)</u>
Expenditures:			
Current operating:			
General government	6,962,684	7,081,646	118,962
Public safety	5,172,762	5,468,299	295,537
Physical environment	863,868	725,917	(137,951)
Human services	936,197	870,356	(65,841)
Culture and recreation	686,440	659,996	(26,444)
Capital outlay	1,585,000	1,094,396	(490,604)
Debt service	478,100	549,431	71,331
Total expenditures	<u>16,685,051</u>	<u>16,450,041</u>	<u>(235,010)</u>
Deficiency of Revenues Over Expenditures	<u>(712,536)</u>	<u>(1,372,992)</u>	<u>(660,456)</u>
Other Financing Uses:			
Transfers out	<u>(155,778)</u>	<u>(157,931)</u>	<u>(2,153)</u>
Total other financing uses	<u>(155,778)</u>	<u>(157,931)</u>	<u>(2,153)</u>
Deficiency of Revenues Over Expenditures and Other Financing Uses	<u>(868,314)</u>	<u>(1,530,923)</u>	<u>(662,609)</u>
Fund Balances, Beginning of Year	<u>14,001,682</u>	<u>14,001,682</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 13,133,368</u>	<u>\$ 12,470,759</u>	<u>\$ (662,609)</u>

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

Year Ended September 30, 2010

A. Schedules of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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
<b><u>General Employees Pension Fund:</u></b>						
October 1, 2009	\$ 6,653,129	\$ 12,451,899	\$ 5,798,770	53.4%	\$ 2,680,416	216.3%
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%
<b><u>Police Officers' Retirement Fund:</u></b>						
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%
<b><u>Other Post Employment Benefits:</u></b>						
September 30, 2009	\$ -	\$ 3,460,071	\$ 3,460,071	-%	\$ 5,667,673	61.0%

B. Schedules of Employer Contributions:

	Required Contribution	Percentage Contributed	Net Pension/OPEB Obligation (Asset)
<b><u>General Employees Pension Fund:</u></b>			
From October 1, 2009 through September 30, 2010	\$ 1,371,965	102%	\$ (1,138,688)
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)
<b><u>Police Officers' Retirement Fund:</u></b>			
From October 1, 2009 through September 30, 2010	\$ 1,903,146	102%	\$ (468,405)
From October 1, 2008 through September 30, 2009	1,653,252	106%	(433,441)
From October 1, 2007 through September 30, 2008	1,289,507	123%	(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%	-
<b><u>Other Post Employment Benefits:</u></b>			
From October 1, 2009 through September 30, 2010	\$ 328,000	36.3%	\$ 483,333
From October 1, 2008 through September 30, 2009	328,000	16.5%	274,081

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

Year Ended September 30, 2010

C. Notes to Required Supplementary Information:

	<u>General Employees Pension Fund</u>	<u>Police Officers' Retirement Fund</u>
Valuation date	October 1, 2009	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, 2010

ASSETS	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Current Assets:			
Cash and cash equivalents	\$ 22,905	\$ 110,633	\$ 133,538
Investments	-	55,000	55,000
Receivables, net	-	26,175	26,175
Prepaid expenses	7,922	-	7,922
Total current assets	<u>30,827</u>	<u>191,808</u>	<u>222,635</u>
Capital Assets, net	<u>117,244</u>	<u>115,963</u>	<u>233,207</u>
TOTAL ASSETS	<u>148,071</u>	<u>307,771</u>	<u>455,842</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	11,044	18,711	29,755
Due to other funds	<u>8,583</u>	<u>78,294</u>	<u>86,877</u>
TOTAL CURRENT LIABILITIES	<u>19,627</u>	<u>97,005</u>	<u>116,632</u>
NET ASSETS – UNRESTRICTED	<u>\$ 128,444</u>	<u>\$ 210,766</u>	<u>\$ 339,210</u>

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

Year Ended September 30, 2010

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating Revenues:			
User charges	\$ 171,223	\$ 218,035	\$ 389,258
Other	<u>850</u>	<u>50</u>	<u>900</u>
Total operating revenues	<u>172,073</u>	<u>218,085</u>	<u>390,158</u>
Operating Expenses:			
Salaries, wages, and employee benefits	40,921	141,729	182,650
Contractual services, materials, and supplies	269,395	127,803	397,198
Depreciation and amortization	<u>26,822</u>	<u>21,804</u>	<u>48,626</u>
Total operating expenses	<u>337,138</u>	<u>291,336</u>	<u>628,474</u>
Operating Loss	<u>(165,065)</u>	<u>(73,251)</u>	<u>(238,316)</u>
Non-Operating Revenues:			
Interest income	<u>24</u>	<u>2,721</u>	<u>2,745</u>
Total non-operating revenues	<u>24</u>	<u>2,721</u>	<u>2,745</u>
Loss Before Transfers	<u>(165,041)</u>	<u>(70,530)</u>	<u>(235,571)</u>
Transfers:			
Transfers in	<u>157,931</u>	<u>-</u>	<u>157,931</u>
Total transfers	<u>157,931</u>	<u>-</u>	<u>157,931</u>
Net Loss	(7,110)	(70,530)	(77,640)
Net Assets, Beginning of Year	<u>135,554</u>	<u>281,296</u>	<u>416,850</u>
Net Assets, End of Year	<u>\$ 128,444</u>	<u>\$ 210,766</u>	<u>\$ 339,210</u>

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

Year Ended September 30, 2010

	Medley Lakeside Retirement Park Fund	Police Gun Range Fund	Total Other Proprietary Funds
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 171,223	\$ 237,567	\$ 408,790
Payments to suppliers	(268,700)	(150,442)	(419,142)
Payments to employees	(40,921)	(144,044)	(184,965)
Other receipts	850	-	850
Net cash used in operating activities	<u>(137,548)</u>	<u>(56,919)</u>	<u>(194,467)</u>
Cash Flows From Noncapital Financing Activities:			
Transfers from other funds	157,931	-	157,931
Change in due from/to other funds	(2,753)	48,421	45,668
Net cash provided by noncapital financing activities	<u>155,178</u>	<u>48,421</u>	<u>203,599</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	-	(2,928)	(2,928)
Net cash used in capital and related financing activities	<u>-</u>	<u>(2,928)</u>	<u>(2,928)</u>
Cash Flows From Investing Activities:			
Redemption of investments	-	76,886	76,886
Purchase of investments	-	(56,142)	(56,142)
Interest income received	24	2,721	2,745
Net cash provided by investing activities	<u>24</u>	<u>23,465</u>	<u>23,489</u>
Net Increase in Cash and Cash Equivalents	17,654	12,039	29,693
Cash and Cash Equivalents, Beginning of Year	<u>5,251</u>	<u>98,594</u>	<u>103,845</u>
Cash and Cash Equivalents, End of Year	<u>\$ 22,905</u>	<u>\$ 110,633</u>	<u>\$ 133,538</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:			
Operating loss	\$ (165,065)	\$ (73,251)	\$ (238,316)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	26,822	21,804	48,626
Bad debt expense	-	11,990	11,990
Changes in:			
Receivables	-	19,532	19,532
Accounts payable and accrued liabilities	695	(34,680)	(33,985)
Compensated absences	-	(2,314)	(2,314)
Net Cash Used in Operating Activities	<u>\$ (137,548)</u>	<u>\$ (56,919)</u>	<u>\$ (194,467)</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 (the "Town"), as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 1, 2011. 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 the Town'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (items C4 and D).

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (items A, B2, B3, B5, E, F, and H).

Honorable Mayor and Town Council  
Town of Medley, Florida

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

This report is intended solely for the information and use of the Town, 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.

*Querett Warmus Durkee Osburn Henning*

Orlando, Florida  
June 1, 2011



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

Honorable Mayor and Town Council  
Town of Medley, Florida

Compliance

We have audited the Town of Medley, Florida's (the "Town") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended September 30, 2010.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Honorable Mayor and Town Council  
Town of Medley, Florida

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and responses as item C4 to be a material weakness and a significant deficiency.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Town, 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.

*Querett Warmus Durkee Osburn Henning*

Orlando, Florida  
June 1, 2011

TOWN OF MEDLEY, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2010

Federal Agency, Pass-Through Entity, Federal Program	CFDA/ Number	Contract Number	Total Expenditures
Federal Programs:			
Passed-through State of Florida, Department of Environmental Protection:			
U.S. Environmental Protection Agency:			
Capitalization Grants for Clean Water State Revolving Funds	66.458*	WW 777080	\$ <u>2,451,807</u>
Passed-through State of Florida, Department of Law Enforcement:			
Department of Homeland Security:			
Buffer Zone Protection Program	97.078	2009-BZPP-DADE-1-V4-002	<u>175,580</u>
U.S. Department of Justice:			
ARRA-Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program/ Grants to States/Territories	16.803	2010-ARRA-DADE-1-W8-057	<u>10,000</u>
Edward Byrne Memorial Justice Assistance Grant Programs:	16.738	2010-JAGD-DADE-2-4Y-124	4,518
	16.738	2010-AARD-65	<u>2,501</u>
			<u>7,019</u>
Total federal programs			\$ <u><u>2,644,406</u></u>

\* Denotes major program

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

TOWN OF MEDLEY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2010

**I. Summary of Auditors' Results:**

**1. Financial Statements:**

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

**2. Federal Awards Programs:**

- |    |  |  |
|----|--|--|
| a. | Internal control over federal programs:  |  |
| 1) | Material weaknesses identified?  | Yes  |
| 2) | Significant deficiencies identified not considered to be material weaknesses               | None reported  |
| b. | The type of auditors' report issued on compliance for federal awards programs              | Unqualified  |
| c. | Any audit findings that are required to be reported under Circular A-133 (section 510(a))? | No   |
| d. | Identification of major programs   | U.S. Environmental Protection Agency, Pass – Through Program from State of Florida<br>Department of Environmental Protection – Capitalization Grants for Clean Water State Revolving Funds: 66.458 |
| e. | Dollar threshold used to distinguish between Type A projects                               | \$300,000  |
| f. | Qualify as low risk auditee?   | No   |

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

None

**III. Findings and Questioned Costs for Federal Awards Programs:**

None

**IV. Summary Schedule of Prior Audit Findings:**

None

TOWN OF MEDLEY, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES

**A. Licenses and Permit Items:**

Findings:

We noted there are a significant amount of manual calculations in the license and permit processes. In addition, there is a lack of supervisory review in the processes. We tested various licenses and permits and noted the following:

1. In one instance out of three selected, electrical permits were not calculated in accordance with the approved fee schedule.
2. In one instance out of three selected, a mechanical permit was not calculated in accordance with the approved fee schedule.
3. In three instances out of three selected, roofing permits were not calculated in accordance with the approved fee schedule.
4. In one instance out of one selected, a paving permit was not calculated in accordance with the approved fee schedule.
5. In one instance out of one selected, a demolition permit was not calculated in accordance with the approved fee schedule.
6. Subsidiary ledgers for licensing and permitting functions do not interface with the general ledger. Reports cannot be generated that show amounts recorded in the general ledger in direct correlation to amounts recorded by the licensing and permitting department.
7. The Town periodically receives cash payments for licenses and permits and there are little to no controls over such receipts and the safeguarding of these payments. Additionally, amounts received by the licensing and permitting department are not consistently posted and deposited daily.

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 the Town implement a centralized cash register system which interfaces with the financial reporting functions, as well as ensures daily entry and deposit of amounts received.

Management's Response:

In March 2011, the Town Council approved a new permit fee structure which automates and simplifies the calculation of permits. Prior to the change, the permit structure was complex and open to interpretation. The inspectors believe that their calculations are correct based on the old fee schedule. Review by the auditors revealed some errors; however, the inspectors have a difference of opinion with the auditors on others in question.

The intention was to automate the permit schedule during the fiscal year reported. However, it was decided to wait until the fee structure was changed, which was subject to Council approval. The Council has now approved the new structure. The process is being automated by the Town's programmer and will be implemented during the 2011 fiscal year.

**B. Payroll and Compensated Absence Items:**

Findings:

We tested fifteen payroll related disbursements and noted the following:

1. In three instances, certain required documentation regarding elective deferrals were not present in the employees' personnel files.
2. In one instance, time card entries were changed manually with no supervisory approval indicated.
3. In two instances, there was no approval on a part-time employee's time card.
4. The Town does not have a written policy concerning employees who take home Town vehicles nightly or who have Town issued cell phones.
5. The Town's comp-time earning procedures appear to need more detail documentation regarding supervisory approval and manual changes to electronic time clock entry.

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:

1. In one instance, the 457 deferred compensation elective deferral was changed by the employee, which has been confirmed with the employee in question. The change was not in writing; this has been corrected. A review of all employees' files will be completed to ensure all elective deferrals are authorized in writing by the employee.
2. Supervisors' responsibility includes approving employee time cards. There may be instances where the supervisor did not approve a change in writing; however, the payroll clerk does not enter the corrected hours unless she has received approval from the supervisor.
3. The approval of part-time employees will be assigned to another person who oversees their hours.
4. Employee take home vehicles have been discontinued. Employees with Town issued cell phones were taxed on the personal usage of the phone. The IRS no longer considers take home cellular phones as listed property; however, the Town will institute a policy prohibiting personal use of such phones unless in emergencies.
5. All employees earning comp-time are required to detail the reason with the hours worked. The procedures to detail comp-time earnings, in the Town's opinion, have been strengthened but improvement is still needed. Manual changes to the time cards are sometimes required if an employee forgets to punch in or out or if they are working outside the office. Procedures will be enhanced to ensure that all manual changes are properly authorized.

**C. Other Internal Control Items:**

**1. Credit card items:**

Finding:

In five instances of sixty-six detail Town-issued credit card transactions selected for testing, there was no supporting documentation for amounts charged to credit card.

Recommendation:

We recommend that the Town secure adequate documentation for all credit card transactions and implement setting forth standards for what constitutes adequate documentation.

Management's Response:

Management reviewed the exceptions noted and is aware of certain instances where the receipt was misplaced. However, before payment is approved, the accounts payable department always confirms with the cardholder of the validity of the purchase. In the future, if the documentation is misplaced we will get a copy of the documentation from the vendor or web site, as an example, surpass tolls for business related travel.



TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

**C. Other Internal Control Items – Continued:**

**2. Travel and entertainment items:**

Findings:

In two instances out of seventeen selected, there was no supporting documentation for amounts claimed for reimbursement.

Recommendation:

We recommend that the Town institute a policy that items are not paid unless adequate supporting documentation is provided. Additionally, we recommend that management set forth standards for what constitutes adequate documentation.

Management's Response:

Valid receipts are required for reimbursement for all travel expenses. In the first instance, the receipt was misplaced; however, the validity of the expense was confirmed with the employee and in the second instance, a course registration fee receipt was not attached. The Town was later able to re-print the course fee to confirm the amount charged.

**3. 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:

Management's policy has been, for each department obtaining the grant, to be responsible for administrating the grant. Management will consider appointing an individual whose responsibilities will include grant administration.

**4. Supervisory Review:**

Findings:

Due to the small size of the entity, there is a lack of segregation of duties in some accounting and financial reporting functions. Financial statements are not received and approved periodically by the Mayor and Town Council. Additionally, journal entries can be prepared, entered, and posted by one individual without review or approval.

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. We recommend that the Mayor and Town Council establish a periodic review and approval of the Town's financial statements and a system of review and approval for non-standard journal entries be implemented.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

**C. Other Internal Control Items – Continued:**

**4. Supervisory Review – Continued:**

Management's Response:

Financial information will be presented to the Council on a quarterly basis. The monthly detailed general ledger will be reviewed by a responsible person other than the finance director.

**D. Capital Asset Items:**

Findings:

1. The Town does not complete periodic or annual inventories 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 perform periodic or annual inventories of its capital assets. Additionally, the Town should continue to vigorously pursue the conveyance of completed Town infrastructure constructed by third parties.

Management's Response:

1. Three years ago the Town conducted an inventory for all capital assets. The inventory was performed by a property appraiser. Since that time, the Town has determined that a physical inventory has not been necessary as the total quantity of capital assets purchased has not been material and that large items purchases have been identified.
2. The Town's legal department is working to obtain title to all infrastructure.

**E. Water and Wastewater Utility Items:**

Findings:

The Town experienced an estimated unaccounted for loss rate of 19% of water purchased while water management standards require such loss to be below 10%.

Recommendation:

We still believe that a loss of 19% 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:

Water losses occur because of leaks, incorrect meter readings, possible theft, and other undocumented uses such as fire department hookups. The Water Utility Department has a water leak detection program, a meter changing program, and other programs to reduce water losses. In the past several years water losses have decreased by 100%. However, the system is aged and water losses do occur. Programs as mentioned are in place with a goal to reduce the losses to 10%.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

**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 two 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:

The Town hired an engineering firm to measure all properties in Medley in order to determine whether the ERU calculation for each parcel was in accordance with the Town's ordinance and resolutions. Based on the results of the measurements, ERU's were adjusted to new conditions as property use changes over time. The program is ongoing and county records may not be as up-to-date as the Town's.

**G. Benefit Plan Items:**

Finding:

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

Recommendation:

We recommend the Town take immediate corrective action regarding the participant loan program to ensure compliance with plan documents.

Management's Response:

If a participant/employee instructs the Town to stop withholding the loan payment from their paycheck, the Town cannot force the person to continue to pay in accordance with the loan agreement.

All defaulted loans will be declared as a distribution in 2011.

# TOWN OF MEDLEY, FLORIDA

## PRIOR YEAR RECOMMENDATIONS AND OTHER MATTERS

### Prior Year Recommendations:

Prior Year Recommendation	Current Year Status
1. Fees, licenses, and permit items	Not 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	Not implemented
8. Financial reporting	Partially implemented
9. Information technology	Implemented

### Other Matters:

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

1. The financial report filed with the Department of Financial Services pursuant to Florida Statutes Section 218.32(1)(a) is in agreement with the annual financial audit report for the year ended September 30, 2010.
2. 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).
3. 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.
4. 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.
5. 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.