

TOWN OF MEDLEY, FLORIDA
GENERAL PURPOSE FINANCIAL STATEMENTS,
COMBINING FINANCIAL STATEMENTS,
ACCOUNT GROUP SCHEDULES AND
SUPPLEMENTARY FINANCIAL REPORT
COMPLIANCE SECTION

Year Ended September 30, 2001

TOWN OF MEDLEY, FLORIDA

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AVERETT WARMUS DURKEE
BAUDER THOMPSON

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Honorable Mayor and Town Council
Town of Medley, Florida

We have audited the accompanying general purpose financial statements of Town of Medley, Florida, as of and for the year ended September 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Medley, Florida's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Town of Medley, Florida, as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* as of October 1, 2000. This results in a change to the Town's method of accounting for certain nonexchange transactions.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2001, on our consideration of the Town of Medley, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and account group schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Town of Medley, Florida. 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Averett, Warmus, Durkee, Bauder + Thompson

November 13, 2001

TOWN OF MEDLEY, FLORIDA

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUP

September 30, 2001

ASSETS AND OTHER DEBITS	Governmental Fund Types		Proprietary Fund Type	Account Group	Total (Memoran- dum Only)
	General Fund	Special Revenue Fund	Enterprise Funds	General Fixed Assets	
Cash and cash equivalents	\$ 1,367,863	\$ 16,815	\$ 2,174,793	\$ -	\$ 3,559,471
Investments	3,587,513	-	732,722	-	4,320,235
Receivables, net	308,574	-	373,247	-	681,821
Due from other governments	64,142	-	-	-	64,142
Due from other funds	225,953	-	13,349	-	239,302
Advance to other fund	1,600,000	-	-	-	1,600,000
Prepaid expenses	-	-	6,337	-	6,337
Restricted assets:					
Cash and cash equivalents	154,117	-	319,842	-	473,959
Investments	-	-	125,000	-	125,000
Property, plant and equipment, net	-	-	15,104,704	4,861,802	19,966,506
Other assets – loan costs – net	-	-	13,220	-	13,220
TOTAL ASSETS	\$ 7,308,162	\$ 16,815	\$ 18,863,214	\$ 4,861,802	\$ 31,049,993
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 349,490	\$ -	\$ 192,190	\$ -	\$ 541,680
Accrued liabilities	151,785	-	182,203	-	333,988
Deferred revenue	114,079	-	394,464	-	508,543
Due to other funds	-	-	239,302	-	239,302
Compensated absences	855,882	-	105,264	-	961,146
Deferred developer fee	-	-	15,365	-	15,365
Liabilities payable from restricted assets:					
Utility deposits	-	-	308,951	-	308,951
Notes payable	-	-	691,845	-	691,845
Advance from other fund	-	-	1,600,000	-	1,600,000
Total liabilities	<u>1,471,236</u>	<u>-</u>	<u>3,729,584</u>	<u>-</u>	<u>5,200,820</u>
Fund equity:					
Contributed capital	-	-	8,426,063	-	8,426,063
Investment in general fixed assets	-	-	-	4,861,802	4,861,802
Retained earnings – unreserved	-	-	6,707,567	-	6,707,567
Fund balance:					
Reserved	1,754,117	16,815	-	-	1,770,932
Unreserved:					
Designated	2,000,000	-	-	-	2,000,000
Unreserved/undesignated	2,082,809	-	-	-	2,082,809
Total fund equity	<u>5,836,926</u>	<u>16,815</u>	<u>15,133,630</u>	<u>4,861,802</u>	<u>25,849,173</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 7,308,162	\$ 16,815	\$ 18,863,214	\$ 4,861,802	\$ 31,049,993

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended September 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total (Memorandum Only)</u>
Revenues:			
Ad valorem taxes	\$ 5,221,648	\$ -	\$ 5,221,648
Utility taxes	1,318,482	-	1,318,482
Franchise fees	870,247	-	870,247
Intergovernmental	99,310	-	99,310
Licenses, permits, and fees	358,548	-	358,548
Fines and forfeitures	199,726	-	199,726
Miscellaneous	408,268	2,650	410,918
Total revenues	<u>8,476,229</u>	<u>2,650</u>	<u>8,478,879</u>
Expenditures:			
Current operating:			
General government	3,820,563	-	3,820,563
Public safety	2,482,228	-	2,482,228
Physical environment	540,348	-	540,348
Human services	478,515	-	478,515
Culture and recreation	543,135	71	543,206
Capital outlay	253,179	-	253,179
Total expenditures	<u>8,117,968</u>	<u>71</u>	<u>8,118,039</u>
Excess of Revenues Over Expenditures	358,261	2,579	360,840
Other Financing Uses:			
Operating transfers-out	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>
Excess of Revenues Over Expenditures and Other Financing Uses	346,261	2,579	348,840
Fund Balances, Beginning of Year	<u>5,490,665</u>	<u>14,236</u>	<u>5,504,901</u>
Fund Balances, End of Year	<u>\$ 5,836,926</u>	<u>\$ 16,815</u>	<u>\$ 5,853,741</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

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

Year Ended September 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes	\$ 4,850,000	\$ 5,221,648	\$ 371,648
Franchise fees and utility taxes	1,900,000	2,188,729	288,729
Intergovernmental	85,000	99,310	14,310
Licenses, permits, and fees	280,000	358,548	78,548
Fines and forfeitures	50,000	199,726	149,726
Miscellaneous	290,000	408,268	118,268
Total revenues	<u>7,455,000</u>	<u>8,476,229</u>	<u>1,021,229</u>
Expenditures:			
Current operating:			
General government	3,601,000	3,820,563	(219,563)
Public safety	2,444,700	2,482,228	(37,528)
Physical environment	522,676	540,348	(17,672)
Human services	513,356	478,515	34,841
Culture and recreation	730,936	543,135	187,801
Capital outlay	205,300	253,179	(47,879)
Total expenditures	<u>8,017,968</u>	<u>8,117,968</u>	<u>(100,000)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(562,968)</u>	<u>358,261</u>	<u>921,229</u>
Other Financing Uses:			
Operating transfers – out	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
Total other financing uses	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	<u>(574,968)</u>	<u>346,261</u>	<u>921,229</u>
Fund Balances, Beginning of Year	<u>5,490,665</u>	<u>5,490,665</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 4,915,697</u>	<u>\$ 5,836,926</u>	<u>\$ 921,229</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES

Year Ended September 30, 2001

	<u>Proprietary Fund Type Enterprise Funds</u>
Operating Revenues:	
User charges	\$ 3,359,957
Service and hook-up charges	54,338
Miscellaneous	35,598
Total operating revenues	<u>3,449,893</u>
Operating Expenses:	
Salaries, wages and employee benefits	899,892
Contractual services, materials and supplies	2,084,433
Depreciation and amortization	498,174
Total operating expenses	<u>3,482,499</u>
Operating Loss	<u>(32,606)</u>
Non-Operating Revenues (Expenses):	
Grants	468,295
Interest income	131,945
Interest expense	(118,401)
Total non-operating revenues (expenses)	<u>481,839</u>
Income Before Operating Transfers	449,233
Operating Transfers-In	12,000
Net Income	<u>461,233</u>
Add Depreciation on Contributed Assets	<u>248,379</u>
Net Increase in Retained Earnings	709,612
Retained Earnings, Beginning of Year	<u>5,997,955</u>
Retained Earnings, End of Year	<u>\$ 6,707,567</u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA
 COMBINED STATEMENT OF CASH FLOWS –
 ALL PROPRIETARY FUND TYPES

Year Ended September 30, 2001

	Proprietary Fund Type Enterprise Funds
Cash Flows From Operating Activities:	
Operating loss	\$ (32,606)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	498,174
Gain on disposal of assets	986
Changes in:	
Receivables	(30,384)
Prepaid expenses	(202)
Accounts payable	(20,229)
Accrued liabilities	(28,066)
Deferred revenue	394,464
Compensated absences	31,033
Net cash provided by operating activities	<u>813,170</u>
Cash Flows From Noncapital Financing Activities:	
Increase in current liabilities payable from restricted assets	63,866
Increase in transfers between funds	12,000
Proceeds from state grants	210,520
Decrease in advances from/to other funds	122,655
Net cash provided by noncapital financing activities	<u>409,041</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(663,190)
Proceeds from state grants	257,775
Proceeds from line of credit	151,000
Principal reduction on notes payable	(90,483)
Interest paid on notes payable	(122,108)
Net cash used for capital and related financing activities	<u>(467,006)</u>
Cash Flows From Investing Activities:	
Redemption of investments	405,000
Purchase of investments	(1,157,722)
Interest income received	113,757
Net cash used for investing activities	<u>(638,965)</u>
Net Increase in Cash and Cash Equivalents	116,240
Cash and Cash Equivalents, Beginning of Year	<u>2,378,395</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>2,494,635</u></u>
Reported in Combined Balance Sheet as Follows:	
Current assets	\$ 2,174,793
Restricted assets	<u>319,842</u>
	\$ <u><u>2,494,635</u></u>

See accompanying notes.

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

September 30, 2001

1. Summary of Significant Accounting Policies:

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, recreation, public works, improvements, planning and zoning, and general administrative services.

The Town complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund types in accordance with GASB Statement No. 20. 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, 2001.

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 501c(3) classification from the Internal Revenue Service. The Foundation receives donations from citizens 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.

Basis of Presentation

The financial transactions of the Town are recorded in individual funds and an account group. Each fund is accounted for by providing a separate set of self-balancing accounts for its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Funds are classified into three categories: governmental and proprietary. Each category in turn is divided into separate "fund types".

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

Basis of Presentation – Continued

A. Governmental Funds:

The focus of governmental fund measurement is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than on net income. The following is a description of the governmental funds of the Town.

1. General Fund:

The general fund is the general operating fund of the Town. General tax revenues and other receipts that are not allocated by law or by contractual agreement to another fund are accounted for in this fund. General operating expenditures, debt service, capital outlay and capital improvement costs not paid through other funds are paid from the general fund.

2. Special Revenue Fund:

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

B. Proprietary Funds:

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

1. Enterprise Funds:

Enterprise funds are used to account for operations of a water and wastewater system, a mobile home park, a stormwater utility, and a police gun range of the Town in a manner similar to private industry. The intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Account Group:

An account group is not a fund; it does not reflect available financial resources and related liabilities, but is an accounting record of general fixed assets.

1. The General Fixed Assets Account Group:

The general fixed assets account group is used to maintain control and cost information for all fixed assets other than those accounted for in proprietary funds.

Basis of Accounting

The term “basis of accounting” is concerned with timing as to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The accounting and financial reporting treatment applied to a fund is related to its measurement focus, but regardless of measurement focus applied, the basis of accounting relates to the timing of the measurements made.

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

Basis of Accounting – Continued

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, i.e. measurable and available to finance the Town's operations. The Town considers property taxes as available if they are remitted within sixty days after year end. Other revenues considered susceptible to accrual include sales taxes, interest income and charges for services. Licenses and permits, fines and forfeitures, and other taxes are not considered susceptible to accrual because they are not measurable until received in cash.

Grant funds earned but not received are recorded as a receivable, and grants received before the related revenue recognition criteria have been met are reported as deferred revenues.

Expenditures are recognized when the related fund liability is incurred, except that principal and interest on general long-term debt are recognized when due.

The proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Budgetary Accounting and Encumbrances

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

1. Legally Adopted Appropriated Budget:

- A. 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.
- B. Public hearings are held to obtain taxpayer comments.
- C. Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- D. 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. During fiscal year 2001 the Town did not amend the budget.
- E. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The Town does not budget the special revenue fund.

2. Legally Authorized Nonappropriated Budgets:

- A. Legally authorized budgets are prepared for the enterprise funds. The Mayor is authorized to transfer budget amounts between line items of the authorized budget.

Encumbrance accounting, under which purchase orders or other types of commitments for expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in governmental funds. In the general fund, there are no encumbrances outstanding at year-end as all outstanding purchase orders are canceled and appropriations lapse at that time. Therefore, the Town does not report any fund balances reserved for encumbrances at year-end.

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include amounts in demand deposits as well as highly liquid short-term investments with maturity dates within three months from date of purchase.

Investments

Investments are stated at fair value (quoted market price or best available estimate thereof).

Receivables

Accounts receivable are recorded in the general and enterprise funds. Property taxes (consisting of real and tangible personal property taxes) which were levied during fiscal year 2001, water and sewer user and service charges, and stormwater utility fees uncollected as of September 30, 2001 are reviewed for collectibility by management. There were no allowances for doubtful accounts established as of year-end.

General Fixed Assets

General fixed assets are recorded as expenditures in the general fund at the time a capitalizable asset is received and the liability incurred. These assets are capitalized at cost in the general fixed assets account group except for rights-of-way, and certain improvements other than buildings constructed in the public right-of-way such as roads, bridges, curbs, gutters, streets and sidewalks, drainage systems and lighting systems (“infrastructure”), as these assets are immovable and of value only to the Town. No depreciation is provided on general fixed assets. Contributed assets are recorded at fair market value as of the date received.

Proprietary Fund Fixed Assets

Property, plant and equipment purchased or otherwise acquired is carried at historical cost in the proprietary funds. Additions, improvements and other capital outlays (including capitalized interest during construction) that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over the following estimated useful lives:

Water and Wastewater Department:	
Building	40 years
Water and wastewater systems	12-50 years
Transportation equipment	5-10 years
Machinery and equipment	5-10 years
Lakeside Park:	
Land improvements	30 years
Water and wastewater (utility infrastructure) systems	20 years
Stormwater Utility Department:	
Water and wastewater (stormwater) systems	40 years
Transportation equipment	5 years
Machinery and equipment	7-10 years
Police Gun Range:	
Land improvements	40 years
Machinery and equipment	5-10 years

Contributed assets are recorded at fair market value as of the date received. During the year ended September 30, 2001, \$5,404 of interest income was netted against \$5,404 of interest expense in conjunction with the investment of tax-exempt borrowings externally restricted to the construction of additional water and wastewater systems.

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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 of employees in the enterprise funds is accrued in those funds. The liability related to employees of governmental funds is reported in the general fund.

Use of Estimates

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

New Accounting Pronouncements

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* in fiscal year ended September 30, 2001. The effect of this implementation was to record \$257,775 as other revenue in the Stormwater Utility Fund rather than as contributed capital. However, governments are not allowed to restate contributed capital arising from periods prior to implementation of Statement No. 33 until implementation of GASB Statement No. 34.

The GASB recently issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analyses – for State and Local Governments*. This statement is a change in the reporting model for governmental entities. It will require a “dual perspective” approach along with management discussion and analysis and reporting of infrastructure assets and depreciation. Due to the significance of the changes, the GASB has allowed an extended implementation period depending on the entities’ revenues. The management at the Town of Medley, Florida has indicated they will implement this standard for fiscal year ending September 30, 2003.

2. Cash, Cash Equivalents and Investments:

Cash and cash equivalents at September 30, 2001 consist of the following:

	<u>Governmental Fund Types</u>		<u>Proprietary</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Funds</u>	<u>Total All Funds</u>	<u>Financial Institution Balance</u>
Unrestricted:					
Demand deposits	\$ 1,367,863	\$ 16,815	\$ 1,051,738	\$ 2,436,416	\$ 2,670,546
Money market funds	-	-	1,123,055	1,123,055	1,123,055
	<u>1,367,863</u>	<u>16,815</u>	<u>2,174,793</u>	<u>3,559,471</u>	<u>3,793,601</u>
Restricted:					
Demand deposits	-	-	15,365 ^{1 & 2}	15,365	15,365
Money market funds	154,117 ³	-	304,477 ^{1 & 2}	458,594	458,594
	<u>154,117</u>	<u>-</u>	<u>319,842</u>	<u>473,959</u>	<u>473,959</u>
Total Cash and Cash	\$ <u>1,521,980</u>	\$ <u>16,815</u>	\$ <u>2,494,635</u>	\$ <u>4,033,430</u>	\$ <u>4,267,560</u>

¹ Restricted for customer utility deposits

² Restricted for water and wastewater planning design

³ Restricted for law enforcement

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

2. Cash, Cash Equivalents and Investments – Continued:

Investments at September 30, 2001 consist of the following:

	<u>General Fund</u> Cost and Fair Value	<u>Enterprise Funds</u> Cost and Fair Value	<u>Total All Funds</u> Cost and Fair Value	<u>Financial Institution Balance</u>
Unrestricted:				
Certificates of deposit	\$ 3,587,513	\$ 732,722	\$ 4,320,235	\$ 4,320,235
Restricted:				
Certificates of deposit	-	125,000	125,000	125,000
Total Investments	<u>\$ 3,587,513</u>	<u>\$ 857,722</u>	<u>\$ 4,445,235</u>	<u>\$ 4,445,235</u>

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, savings accounts, certificates of deposit, and money market accounts are placed in such authorized depositories. In accordance with GASB Statement 3, all of the Town's cash, cash equivalents and investments are classified as Category 1 (insured or collateralized with securities held by the entity or by an agent in the entity's name) as to credit risk.

As of September 30, 2001, financial instruments which potentially expose the Town to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consisted of cash and cash equivalent accounts deposited in these financial institutions.

3. Accounts Receivable and Due From Other Governments:

Accounts receivable consist of the following at September 30, 2001:

	<u>General Fund</u>	<u>Enterprise Funds</u>				<u>Total Enterprise</u>	<u>Total</u>
	<u>General Fund</u>	<u>Water and Wastewater</u>	<u>Lakeside Park</u>	<u>Stormwater Utility</u>	<u>Police Gun Range</u>	<u>Total Enterprise</u>	<u>Total</u>
User charges	\$ 200	\$ 241,797	\$ 1,537	\$ 95,910	\$ 6,688	\$ 345,932	\$ 346,132
Interest	57,625	8,053	-	19,262	-	27,315	84,940
Utility taxes	142,034	-	-	-	-	-	142,034
Franchise taxes	108,715	-	-	-	-	-	108,715
	<u>\$ 308,574</u>	<u>\$ 249,850</u>	<u>\$ 1,537</u>	<u>\$ 115,172</u>	<u>\$ 6,688</u>	<u>\$ 373,247</u>	<u>\$ 681,821</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

3. Accounts Receivable and Due From Other Governments – Continued:

Due from other governments consist of the following at September 30, 2001:

	General Fund			Total
	Ad Valorem	Fuel and Local	Other	
Miami-Dade County Florida	\$ 18,320	\$ -	\$ 16,043	\$ 34,363
State of Florida	-	26,078	3,701	29,779
	<u>\$ 18,320</u>	<u>\$ 26,078</u>	<u>\$ 19,744</u>	<u>\$ 64,142</u>

4. Property, Plant and Equipment:

General Fixed Assets

Changes in the components of the general fixed assets account group for the year ended September 30, 2001 are as follows:

	Balance, October 1, 2000	Additions	Deletions	Balance, September 30, 2001
Land	\$ 146,674	\$ 36,695	\$ -	\$ 183,369
Buildings and improvements	1,433,769	27,584	-	1,461,353
Pool	99,274	-	-	99,274
Transportation equipment	1,509,645	144,358	-	1,654,003
Machinery and equipment	1,500,019	44,542	80,758	1,463,803
	<u>\$ 4,689,381</u>	<u>\$ 253,179</u>	<u>\$ 80,758</u>	<u>\$ 4,861,802</u>

Enterprise Fund Fixed Assets

The enterprise fund fixed assets at September 30, 2001 are as follows:

	Water and Wastewater	Lakeside Park	Stormwater Utilities	Police Gun Range	Total
Land and land improvements	\$ 391,038	\$ 284,240	\$ 867	\$ -	\$ 676,145
Buildings and building improvements	543,296	294,603	-	155,532	993,431
Water and wastewater systems	15,535,067	-	1,826,967	-	17,362,034
Transportation equipment	546,557	-	84,812	-	631,369
Machinery and equipment	503,299	-	242,471	18,522	764,292
Construction in progress	194,917	-	358,033	-	552,950
Total	17,714,174	578,843	2,513,150	174,054	20,980,221
Less accumulated depreciation	5,110,009	295,942	349,560	120,006	5,875,517
	<u>\$ 12,604,165</u>	<u>\$ 282,901</u>	<u>\$ 2,163,590</u>	<u>\$ 54,048</u>	<u>\$ 15,104,704</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

5. Ad Valorem Tax Revenues:

The Town levied a millage rate of \$7.923 per \$1,000 of assessed value for the fiscal year 2001 and for the fiscal year 2002. The County of Miami-Dade, Florida, bills and receives payments for all real 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 established during September. The fiscal year for which taxes are levied begins on 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.

6. Employee Benefit Plans:

A. Retirement Plans:

Plan Descriptions and Provisions

Town Employees – All of the Town’s full-time employees 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 International City Management Association Retirement Corporation (ICMA) as administrator of the plans, 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 plans for the General Employees, Town Executives and Town Council under ICMA.

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.

Funding Provisions – Participating plan members are required to contribute a percentage of their annual compensation to the plans, and the Town is required to match such contributions. The applicable percentages for each plan are as follows:

	<u>General Employee</u>	<u>Executive</u>	<u>Council Person</u>
Plan members required contribution	5%	7%	6%
Town matching contribution	14%	14%	19%

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

<u>Years of Service</u>	<u>General Employee</u>	<u>Executive</u>	<u>Council Person</u>
Less than 1 year of service	0%	100%	0%
1 year but less than 2	20%	100%	25%
2 years but less than 3	40%	100%	50%
3 years but less than 4	60%	100%	75%
4 years but less than 5	80%	100%	100%
5 years but less than 6	100%	100%	100%
6 years but less than 7	100%	100%	100%
7 years but less than 8	100%	100%	100%
8 years but less than 9	100%	100%	100%
9 years but less than 10	100%	100%	100%
10 or more years	100%	100%	100%

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

6. Employee Benefit Plans – Continued:

A. Retirement Plans – Continued:

Plan Descriptions and Provisions – Continued

Vesting Provision of Town’s Contributions – Continued – Employees, executives and Council persons are always 100% vested as to benefits attributable to their contributions to their accounts.

Retirement Provisions – 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.

General Provisions – The Town of Medley, Florida, enacted legislation to bring each plan into existence, thereby creating its funding obligation to the plans.

	<u>General Employee</u>	<u>Executive</u>	<u>Council Person</u>
Employer (mandatory) contribution	\$ 438,350	\$ 143,234	\$ 21,156
Participant contribution	<u>156,554</u>	<u>71,617</u>	<u>6,681</u>
Total contribution required	\$ <u>594,904</u>	\$ <u>214,851</u>	\$ <u>27,837</u>
Total contribution made	\$ <u>594,904</u>	\$ <u>214,851</u>	\$ <u>27,837</u>
Current year covered payroll	\$ <u>3,131,072</u>	\$ <u>1,023,103</u>	\$ <u>111,347</u>
Total current year payroll	\$ <u>3,892,637</u>	\$ <u>1,023,103</u>	\$ <u>111,347</u>
Covered payroll to total payroll	<u>80%</u>	<u>100%</u>	<u>100%</u>
Contribution to covered payroll – participant	5%	7%	6%
Contribution required to covered payroll – employer (required contribution reduced by forfeitures)	<u>14%</u>	<u>14%</u>	<u>19%</u>
Total contributions made to covered payroll	<u>19%</u>	<u>21%</u>	<u>25%</u>
Contribution required to contribution made	<u>100%</u>	<u>100%</u>	<u>100%</u>
Participants or beneficiaries	<u>78</u>	<u>12</u>	<u>4</u>

The Town has no unfunded liability. The assets of the plans do not contain any type of securities issued by the Town of Medley, Florida, or any related party.

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

6. Employee Benefit Plans – Continued:

A. Retirement Plans – Continued

Plan Descriptions and Provisions – Continued

General Provisions – Continued – Plan investments that represent 5% or greater of total plan investments at September 30, 2001 are as follows:

<u>ICMA Mutual Fund Description</u>	<u>General Employee</u>	<u>Executive</u>	<u>Council Person</u>	<u>Deferred Compensation Plan</u>
Equity Income	\$ -	\$ 138,742	\$ -	\$ 28,744
Aggressive Opportunity Plus Fund	275,451 1,237,269	197,165 560,632	-	95,113 76,358
Long-Term Growth	229,310	-	-	-
M. S. Aggressive Growth	-	-	5,601	-
M. S. Growth	-	-	-	22,254
M. S. Contra Growth	-	124,352	-	26,143
M. S. Growth and Income	247,544	247,500	-	34,803
Employee Loans	533,420	142,277	18,626	-
Growth Fund	-	99,030	-	-
Broad Market Index	-	109,418	-	-
M. S. Momtm Growth	-	-	-	46,264
All Other	1,459,155	348,376	2,866	87,127
	<u>\$ 3,982,149</u>	<u>\$ 1,967,492</u>	<u>\$ 111,951</u>	<u>\$ 416,806</u>

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 ICMA and as such are not recorded in the financial statements.

B. Other Post-Employment Benefits:

The Town is statutorily required to permit participation in its health insurance program by retirees on a pooled (non-differentiated basis) and has elected to provide the retirees reduced life and health insurance on an employer-paid basis. The Town is financing the post-retirement benefits on a pay-as-you-go basis and expenditures for these insurance premiums are recorded in the general fund. The Town did not expend any funds for post-retirement benefits for the year ended September 30, 2001.

7. Lease Obligations:

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, 2001, the Town received \$98,659 in rental income from the gun range.

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

7. Lease Obligations – Continued:

Operating Leases – Continued

As Lessor – Continued – In addition, the Town subleases mobile home sites to qualified individuals in the Town’s mobile home park on a yearly basis. Tenants of the mobile home park are required to be qualified low-income individuals. In the fiscal year ended September 30, 2001, the Town received \$130,800 in rental income from these sites.

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

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

The Town entered into a ground lease with Our Security Corporation on April 1, 1989. The land was subsequently improved for a mobile home park. The lease has an initial term of twenty years with options to renew for three successive periods of twenty years each, at fair rental value on the date of renewal. The lease agreement provides for rental increases in years 6 through 20 based on the Consumer Price Index U.S. City Average for All Urban Consumers (CPI-U 1982-84 = 100).

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

Year Ending September 30,	Minimum Lease Payments	Estimated Contingent Rentals	Estimated Total Amount
2002	\$ 60,000	\$ 17,146	\$ 77,146
2003	60,000	19,461	79,461
2004	60,000	21,844	81,844
2005	60,000	24,300	84,300
2006	60,000	26,829	86,829
Thereafter	<u>150,000</u>	<u>78,991</u>	<u>228,991</u>
	<u>\$ 450,000</u>	<u>\$ 188,571</u>	<u>\$ 638,571</u>

Total fiscal 2001 rental expenditures under the ground lease were \$74,828 including \$14,828 of contingent rentals. Total rents under all operating leases, including short-term, month-to-month rentals, were \$93,009 for the year ended September 30, 2001.

8. Notes Payable:

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.

Disclosure of Legal Debt Margin

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

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

8. Notes Payable – Continued:

Proprietary Fund Type Notes Payable

Changes in proprietary fund type notes payable for the year ended September 30, 2001 are as follows:

	Balance, October 1, 2000	Additions	Reductions	Balance September 30, 2001
Notes payable	\$ <u>625,924</u>	\$ <u>156,404</u>	\$ <u>90,483</u>	\$ <u>691,845</u>

Description of Notes Payable

Line of Credit – During 2001, the Town entered into a line of credit agreement with Riverside National Bank. Interest on the outstanding balance is accrued monthly for the first year at 68% of Riverside National Bank’s Prime Rate (4.08% at September 30, 2001). This note is collateralized by the general revenues or other legally available revenues of the Town of Medley, Florida. This note is due on demand during the first year. At the end of the first year of this line of credit, the balance will be converted to a three year term loan with a fixed interest rate equal to 68% of the Bank’s prevailing prime rate at that date. This note is expected to be converted in June 2002. At September 30, 2001 the outstanding balance was \$151,000. The maximum amount under this line of credit is \$1,039,000.	\$ 151,000
Note Payable – Riverside National Bank, interest of 5.75% per annum, payable in semiannual principal and interest payments of \$26,474 on February 10 and August 10, through August 10, 2006 when the balance comes due.	335,295
Revolving Fund Loan – Florida Department of Environmental Protection, interest of 2.7% per annum compounded monthly, payable in semiannual principal and interest payments of \$19,470 commencing on November 15, 2002.	<u>205,550</u>
	<u>\$ 691,845</u>

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

<u>Fiscal Year</u>	<u>Proprietary Fund Type</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2002	\$ 185,150	\$ 27,859	\$ 213,009
2003	66,140	25,749	91,889
2004	72,655	19,234	91,889
2005	75,827	16,062	91,889
2006	222,585	12,735	235,320
Thereafter	<u>69,488</u>	<u>2,072</u>	<u>71,560</u>
	<u>\$ 691,845</u>	<u>\$ 103,711</u>	<u>\$ 795,556</u>

At September 30, 2001, the Town is in compliance with all debt covenants.

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

9. 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, 2001.

Prior to August, 1999, the Town had joined with other municipalities in the State in participating in the Government Risk Insurance Trust ("GRIT"), a public entity risk pool currently operating as a common risk management and insurance program. The agreement with the Government Risk Insurance Trust, a licensed Florida self-insurance fund, provides that the Trust can assess members for deficiencies. In addition, the Trust reinsures with commercial companies. The GRIT has indicated it is probable that they will assess members for deficiencies, based on each member's claim history, however it has not issued a deficiency notice to the Town as of November, 2001. The ultimate amount due to GRIT will be the responsibility of the Town's general fund, which will allocate the expense to the funds based on employee wages. Management has indicated that the Town will vigorously contest any assessment. Furthermore, management believes GRIT will assess the Town between \$11,000 and \$48,000 for its share of GRIT's accumulated deficit.

In years prior to 1989, the Town had an interlocal agreement for workers compensation coverage with County of Miami-Dade, Florida, which periodically invoices the Town for retrospective premiums for claims under the agreement.

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.

10. Commitments and Contingencies:

A. Litigation – 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 retained by the Town.

Our Security Corporation and related landowners (the "Plaintiffs") have initiated legal action regarding property that is leased to the Town for a mobile home park (see Note 7). The Plaintiffs contend that the Town has breached the lease agreement. The Town vigorously contests actions by both Plaintiffs but does anticipate significant expenditures for outside counsel which may cause the Town to apply reserves to attorney fees and costs as a result of these pending actions and other actions the parties indicate they intend to pursue.

B. Capital Asset Acquisition Commitments – The Town has retained an engineering firm to oversee the development and implementation of a master plan for stormwater management. The installation of stormwater drainage systems in accordance with the master plan is an ongoing process. The Town has identified 8 to 10 projects costing approximately \$4.5 million.

The Town has executed an agreement with the State of Florida Department of Environmental Protection ("Agreement") in which the department will provide a revolving fund loan (see Note 9) for planning and designing wastewater management facilities. As of September 30, 2001, the Town has drawn \$205,550 under the preconstruction activities phase of the Agreement, which includes \$8,162 in accrued interest. The total preconstruction activities costs per the Agreement are \$600,000 and construction related costs are \$6,000,000 for an estimated total agreement of \$6,600,000.

C. Annexation – The Town is currently pursuing annexation of partially developed land from the County of Miami-Dade. The plans for annexation are in the approval process as of the date of these financial statements. The Town anticipates the costs associated with this action to be approximately \$75,000.

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

11. Segment Information of Enterprise Funds:

During 2001, the Town maintained four Enterprise Funds which provided water and wastewater services, mobile home park rental spaces, stormwater utility service, and usage of the police gun range. Segment information at September 30, 2001, and for the year then ended is as follows:

	<u>Water and Wastewater</u>	<u>Lakeside Home Park</u>	<u>Stormwater Utility</u>	<u>Police Gun Range</u>	<u>Total</u>
Operating revenues	\$ 2,395,180	\$ 130,816	\$ 825,238	\$ 98,659	\$ 3,449,893
Depreciation and amortization	404,942	20,369	68,783	4,080	498,174
Operating income (loss)	(203,573)	(39,343)	187,627	22,683	(32,606)
Net income (loss)	(219,780)	(26,485)	425,785	23,938	203,458
Property and equipment	17,714,174	578,843	2,513,150	174,054	20,980,221
Accumulated depreciation	(5,110,009)	(295,942)	(349,560)	(120,006)	(5,875,517)
Property and equipment additions	202,236	-	460,140	814	663,190
Total assets	13,804,402	313,386	4,633,543	111,883	18,863,214
Net working capital	10,749,127	273,944	4,025,760	84,799	15,133,630
Notes payable after one year	506,695	-	-	-	506,695
Retained earnings	2,659,707	3,930	3,767,985	18,170	6,449,792
Total fund equity	10,749,127	273,944	4,025,760	84,799	15,133,630

12. Other Required Individual Fund Disclosures:

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

A. Individual fund interfund receivable and payable balances. Such balances at September 30, 2001, were:

Fund:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 1,825,953	\$ -
Enterprise funds:		
Water and wastewater	13,349	1,745,450
Lakeside home park	-	37,220
Stormwater utility	-	39,090
Police gun range	-	17,542
	<u>\$ 1,839,302</u>	<u>\$ 1,839,302</u>

TOWN OF MEDLEY, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

12. Other Required Individual Fund Disclosures – Continued:

On October 1, 2000, a promissory note for \$1,600,000 was issued between the Town’s General Fund and its Water and Wastewater Utility with an interest rate of 6%. Quarterly payments of interest only are paid through December 31, 2001. Beginning March 31, 2006, quarterly payments of principal and interest will be paid until maturity at December 31, 2015. The balance of this advance at September 30, 2001 was \$1,600,000.

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

2002	\$	-
2003		-
2004		-
2005		-
2006		75,000
Thereafter		<u>1,525,000</u>
	\$	<u><u>1,600,000</u></u>

B. Expenditures in excess of appropriations:

As disclosed in the statement of revenues, expenditures and changes in fund balance – budget and actual – general fund, general fund actual revenues exceeded anticipated revenues by \$1,021,229. However, general fund expenditures exceeded appropriations by \$88,000. This was primarily due to settlement of a lawsuit in the current fiscal year.

13. Reserved Fund Balance:

The Town’s fund balances are as follows at September 30, 2001:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Reserved for advances to enterprise funds	\$ 1,600,000	\$ -	\$ 1,600,000
Reserved for law enforcement	154,117	-	154,117
Reserved for Foundation activities	-	16,815	16,815
Total reserved	<u>1,754,117</u>	<u>16,815</u>	<u>1,770,932</u>
Unreserved:			
Designated for:			
Building	500,000	-	500,000
Litigation	300,000	-	300,000
Working capital	<u>1,200,000</u>	-	<u>1,200,000</u>
Total designated	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Unreserved/undesignated	<u>2,082,809</u>	<u>-</u>	<u>2,082,809</u>
Total fund balance	<u><u>\$ 5,836,926</u></u>	<u><u>\$ 16,815</u></u>	<u><u>\$ 5,853,741</u></u>

ENTERPRISE 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.

Water and Wastewater Fund	Used to account for the operations of the Town's water and wastewater utility.
Lakeside Park Fund	Used to account for the Town's operation of a low-income mobile home park.
Stormwater Utility Fund	Used to account for the operations of the Town's stormwater utility system.
Police Gun Range Fund	Used to account for the operations of the Town's police gun range.

TOWN OF MEDLEY, FLORIDA

ENTERPRISE FUNDS
COMBINING BALANCE SHEET

September 30, 2001

ASSETS	Water and Wastewater Fund	Lakeside Park Fund	Stormwater Utility Fund	Police Gun Range Fund	Total All Enterprise Funds
Cash and cash equivalents	\$ 365,516	\$ 22,611	\$ 1,735,519	\$ 51,147	\$ 2,174,793
Investments	125,000	-	607,722	-	732,722
Receivables	249,850	1,537	115,172	6,688	373,247
Due from other funds	13,349	-	-	-	13,349
Prepaid expenses	-	6,337	-	-	6,337
Restricted assets:					
Cash and cash equivalents	319,842	-	-	-	319,842
Investments	125,000	-	-	-	125,000
Property, plant, and equipment, net	12,604,165	282,901	2,163,590	54,048	15,104,704
Other assets:					
Loan costs, net	1,680	-	11,540	-	13,220
TOTAL ASSETS	\$ <u>13,804,402</u>	\$ <u>313,386</u>	\$ <u>4,633,543</u>	\$ <u>111,883</u>	\$ <u>18,863,214</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 190,459	\$ 1,429	\$ -	\$ 302	\$ 192,190
Accrued liabilities	177,360	793	3,390	660	182,203
Deferred revenue	-	-	394,464	-	394,464
Due to other funds	145,450	37,220	39,090	17,542	239,302
Compensated absences	76,845	-	19,839	8,580	105,264
Deferred developer fee	15,365	-	-	-	15,365
Liabilities payable from restricted assets:					
Utility deposits	308,951	-	-	-	308,951
Notes payable	540,845	-	151,000	-	691,845
Advance from other fund	1,600,000	-	-	-	1,600,000
Total liabilities	<u>3,055,275</u>	<u>39,442</u>	<u>607,783</u>	<u>27,084</u>	<u>3,729,584</u>
Fund Equity:					
Contributed capital	8,089,420	270,014	-	66,629	8,426,063
Retained earnings – unreserved	2,659,707	3,930	4,025,760	18,170	6,707,567
Total fund equity	<u>10,749,127</u>	<u>273,944</u>	<u>4,025,760</u>	<u>84,799</u>	<u>15,133,630</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>13,804,402</u>	\$ <u>313,386</u>	\$ <u>4,633,543</u>	\$ <u>111,883</u>	\$ <u>18,863,214</u>

TOWN OF MEDLEY, FLORIDA

ENTERPRISE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)

Year Ended September 30, 2001

	Water and Wastewater Fund	Lakeside Park Fund	Stormwater Utility Fund	Police Gun Range Fund	Total All Enterprise Funds
Operating Revenues:					
User charges	\$ 2,305,820	\$ 130,800	\$ 824,678	\$ 98,659	\$ 3,359,957
Service and hook-up charges	54,338	-	-	-	54,338
Miscellaneous other	35,022	16	560	-	35,598
Total operating revenues	<u>2,395,180</u>	<u>130,816</u>	<u>825,238</u>	<u>98,659</u>	<u>3,449,893</u>
Operating Expenses:					
Salaries, wages and employee benefits	561,355	34,433	263,681	40,423	899,892
Contractual services, materials and supplies	1,632,456	115,357	305,147	31,473	2,084,433
Depreciation and amortization	404,942	20,369	68,783	4,080	498,174
Total operating expenses	<u>2,598,753</u>	<u>170,159</u>	<u>637,611</u>	<u>75,976</u>	<u>3,482,499</u>
Operating Income (Loss)	<u>(203,573)</u>	<u>(39,343)</u>	<u>187,627</u>	<u>22,683</u>	<u>(32,606)</u>
Non-Operating Revenues (Expenses):					
Grants	68,885	-	399,410	-	468,295
Interest income	33,309	858	96,523	1,255	131,945
Interest expense	(118,401)	-	-	-	(118,401)
Total non-operating revenues (expenses)	<u>(16,207)</u>	<u>858</u>	<u>495,933</u>	<u>1,255</u>	<u>481,839</u>
Income (Loss) Before Operating Transfers	(219,780)	(38,485)	683,560	23,938	449,233
Operating Transfers-In	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
Net Income	(219,780)	(26,485)	683,560	23,938	461,233
Add Depreciation on Contributed Assets	<u>227,420</u>	<u>18,920</u>	<u>-</u>	<u>2,039</u>	<u>248,379</u>
Net Increase (Decrease) in Retained Earnings	7,640	(7,565)	683,560	25,977	709,612
Retained Earnings (Accumulated Deficit), Beginning of Year	<u>2,652,067</u>	<u>11,495</u>	<u>3,342,200</u>	<u>(7,807)</u>	<u>5,997,955</u>
Retained Earnings, End of Year	<u>\$ 2,659,707</u>	<u>\$ 3,930</u>	<u>\$ 4,025,760</u>	<u>\$ 18,170</u>	<u>\$ 6,707,567</u>

TOWN OF MEDLEY, FLORIDA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2001

	Water and Wastewater Fund	Lakeside Park Fund	Stormwater Utility Fund	Police Gun Range Fund	Total All Enterprise Funds
Cash Flows From Operating Activities:					
Operating income (loss)	\$ (203,573)	\$ (39,343)	\$ 187,627	\$ 22,683	\$ (32,606)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	404,942	20,369	68,783	4,080	498,174
Loss on disposal of assets	986	-	-	-	986
Changes in:					
Receivables	69,167	1,016	(93,879)	(6,688)	(30,384)
Prepaid expenses	-	(202)	-	-	(202)
Accounts payable	(19,208)	1,429	(1,834)	(616)	(20,229)
Accrued liabilities	(22,505)	(1,385)	3,390	(7,566)	(28,066)
Deferred revenue	-	-	394,464	-	394,464
Compensated absences	2,614	-	19,839	8,580	31,033
	<u>232,423</u>	<u>(18,116)</u>	<u>578,390</u>	<u>20,473</u>	<u>813,170</u>
Net cash provided by (used for) operating activities					
Cash Flows From Noncapital Financing Activities:					
Increase in current liabilities payable from restricted assets	63,866	-	-	-	63,866
Operating transfers from other funds	-	12,000	-	-	12,000
Proceeds from state grants	68,885	-	141,635	-	210,520
Change in due from/to other funds	38,500	14,630	57,995	11,530	122,655
	<u>171,251</u>	<u>26,630</u>	<u>199,630</u>	<u>11,530</u>	<u>409,041</u>
Net cash provided by noncapital financing activities					
Cash Flows From Capital and Related Financing Activities:					
Acquisition of capital assets	(202,236)	-	(460,140)	(814)	(663,190)
Proceeds from state grants	-	-	257,775	-	257,775
Proceeds from line of credit	-	-	151,000	-	151,000
Principal reduction on notes payable	(90,483)	-	-	-	(90,483)
Interest paid on notes payable	(122,108)	-	-	-	(122,108)
	<u>(414,827)</u>	<u>-</u>	<u>(51,365)</u>	<u>(814)</u>	<u>(467,006)</u>
Net cash used for capital and related financing activities					

(Continued)

TOWN OF MEDLEY, FLORIDA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS – CONTINUED

Year Ended September 30, 2001

	<u>Water and Wastewater Fund</u>	<u>Lakeside Park Fund</u>	<u>Stormwater Utility Fund</u>	<u>Police Gun Range Fund</u>	<u>Total All Enterprise Funds</u>
Cash Flows From Investing					
Activities:					
Redemption of investments	105,000	-	300,000	-	405,000
Purchase of investments	(250,000)	-	(907,722)	-	(1,157,722)
Interest income received	<u>34,383</u>	<u>858</u>	<u>77,261</u>	<u>1,255</u>	<u>113,757</u>
Net cash provided by (used for) investing activities	<u>(110,617)</u>	<u>858</u>	<u>(530,461)</u>	<u>1,255</u>	<u>(638,965)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(121,770)	9,372	196,194	32,444	116,240
Cash and Cash Equivalents, Beginning of Year	<u>807,128</u>	<u>13,239</u>	<u>1,539,325</u>	<u>18,703</u>	<u>2,378,395</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>685,358</u></u>	\$ <u><u>22,611</u></u>	\$ <u><u>1,735,519</u></u>	\$ <u><u>51,147</u></u>	\$ <u><u>2,494,635</u></u>
Recorded in Balance Sheet as:					
Unrestricted	\$ 365,516	\$ 22,611	\$ 1,735,519	\$ 51,147	\$ 2,174,793
Restricted	<u>319,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,842</u>
Total	\$ <u><u>685,358</u></u>	\$ <u><u>22,611</u></u>	\$ <u><u>1,735,519</u></u>	\$ <u><u>51,147</u></u>	\$ <u><u>2,494,635</u></u>

ACCOUNT GROUP

General Fixed Assets Account Group

Used to account for general fixed assets utilized in the performance of general governmental functions excluding the Enterprise Funds. Such assets include land, buildings, improvements, furniture and equipment. The Town's public domain, infrastructure improvements, storm drains and sidewalks, are not recorded in this account group.

TOWN OF MEDLEY, FLORIDA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY

	Balance September 30, 2000	Additions	Deletions	Balance September 30, 2001
General Government	\$ 2,359,132	\$ 29,482	\$ 63,160	\$ 2,325,454
Public Safety	1,315,698	152,106	72,614	1,395,190
Physical Environment	47,433	49,445	-	96,878
Human Services	161,756	77,712	-	239,468
Culture and Recreation	805,362	-	550	804,812
Total General Fixed Assets	\$ 4,689,381	\$ 308,745	\$ 136,324	\$ 4,861,802

SCHEDULE OF GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY

	Land	Buildings and Improve- ments	Transpor- tation Equipment	Machinery and Equipment	Total
General Government	\$ 146,674	\$ 1,088,225	\$ 550,676	\$ 539,879	\$ 2,325,454
Public Safety	-	20,052	665,531	709,607	1,395,190
Physical Environment	36,695	1,484	33,792	24,907	96,878
Human Services	-	26,046	204,218	9,204	239,468
Culture and Recreation	-	424,820	199,786	180,206	804,812
Total General Fixed Assets	\$ 183,369	\$ 1,560,627	\$ 1,654,003	\$ 1,463,803	\$ 4,861,802

Investment in Fixed Assets Provided From:

Revenues	\$ 4,710,747
Donations	151,055
Total investment in general fixed assets	\$ 4,861,802

SUPPLEMENTARY FINANCIAL REPORT COMPLIANCE SECTION



AVERETT WARMUS DURKEE
BAUDER THOMPSON

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and Town Council
Town of Medley, Florida

We have audited the general purpose financial statements of Town of Medley, Florida, as of and for the year ended September 30, 2001, and have issued our report thereon dated November 13, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether Town of Medley, Florida's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Medley, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Town of Medley, Florida, in a separate report of Auditors' Comments and Recommendations.

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

Averett, Warmus, Durkee, Bauder + Thompson

November 13, 2001



AVERETT WARMUS DURKEE
BAUDER THOMPSON

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and Town Council
Town of Medley, Florida

Compliance

We have audited the compliance of Town of Medley, Florida with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2001. The Town of Medley, Florida's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Town of Medley, Florida's management. Our responsibility is to express an opinion on Town of Medley, Florida's compliance based on our audit.

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

In our opinion, Town of Medley, Florida complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2001.

Internal Control Over Compliance

The management of Town of Medley, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Medley, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal awards program project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Honorable Mayor and Town Council
Town of Medley, Florida

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Querett, Warmus, Durkee, Buder + Thompson

November 13, 2001

TOWN OF MEDLEY, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2001

<u>Federal Grantor/Pass-thru Grantor/Program Title</u>	<u>Grant Period</u>	<u>CFDA Number</u>	<u>Pass-thru Grantor's Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
Major Federal Program:					
Passed thru:					
Florida Department of					
Community Affairs:					
Hurricane Irene	N/A	83.544	FEMA-1306-DR-FL	479,388	\$ 316,941
South Florida Floods 2000	N/A	83.544	FEMA-1345-DR-FL	652,835	<u>258,371</u>
					<u>\$ 575,312</u>

Note – This schedule of expenditures of federal awards includes the federal grant activity of The Town of Medley, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TOWN OF MEDLEY, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL AWARDS PROGRAMS

Year Ended September 30, 2001

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? | No |
| 2) | Reportable conditions identified not considered to be material weaknesses | None reported |
| c. | Noncompliance that is material to the financial statements reported? | No |

2. Federal Awards:

- | | | |
|----|---|--|
| a. | Internal control over major programs: | |
| 1) | Material weaknesses identified? | No |
| 2) | Reportable conditions identified not considered to be material weaknesses | None reported |
| b. | The type of auditors' report issued on compliance for major programs | Unqualified opinion |
| c. | Any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133? | No |
| d. | Identification of major program | 83.544 – Federal Emergency Management Agency |
| e. | Dollar threshold used to distinguish between Type A and Type B programs | \$300,000 |
| f. | Auditor qualified as a low-risk auditee under Section 530 of OMB Circular A-133? | 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:

None

TOWN OF MEDLEY, FLORIDA
AUDITORS' COMMENTS AND RECOMMENDATIONS;
STATUS OF PRIOR YEAR COMMENTS

COMMENTS AND RECOMMENDATIONS

1. Internal Control Related Matters:

The following items were noted in our testing of the Town of Medley, Florida's internal control over financial reporting.

- A. During our audit, we noted one instance where purchase orders were being paid without supporting documentation attached.
- B. We noted that certain forms were not present or were not correctly completed in certain personnel files. We noted that the Town implemented a policy to complete a checklist for each personnel file to ensure all forms are completed and included in the file.

Management's Response: The Town has upgraded personnel and policies related to these matters and has enhanced controls over financial reporting and personnel matters.

2. Water and Sewer Department:

During our audit procedures related to the Water and Sewer Department, we noted the following:

The Town files annual reports with DERM reconciling gallons of water purchased to gallons of water sold or used by the Town. An analysis of gallons purchased to gallons sold for fiscal 2001 showed lost gallonage of approximately 31% of gallons purchased. We recommend that these discrepancies be researched and corrected by the Town in a timely manner to reduce lost resources.

Management's Response: An independent engineering firm has conducted a study to identify the areas of loss. The study has indicated that some meters for large customers require replacement. The Town will begin replacing these meters in 2001-2002 and will monitor the situation on an ongoing basis. Remedial action will be taken for other areas of loss identified in the study. Management's goal is to reduce lost gallonage to or below an acceptable industry average (10%).

3. Occupational Licenses:

During our audit we noted one randomly selected business operating in the Town was not included in the Town's list of occupational licenses issued. We recommend procedures be established to ensure all businesses operating within the Town have a current occupational license.

Management's Response: The policies of the Town's code enforcement department have been updated to include closer review of operating business to ensure compliance.

TOWN OF MEDLEY, FLORIDA

AUDITORS' COMMENTS AND RECOMMENDATIONS;
STATUS OF PRIOR YEAR COMMENTS – CONTINUED

STATUS OF PRIOR YEAR COMMENTS

<u>Prior Year Recommendation</u>	<u>Current Year Status</u>
1. Internal Control System	Implemented, see current year comment #1.
2. Water and Sewer Department	Not implemented, see current year comment #2.
3. Bank Accounts	Implemented
4. Occupational Licenses	Partially implemented
5. Interfund Balances	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 Banking and Finance pursuant to Florida Statutes Section 218.32 is in agreement with the annual financial audit report for the year ended September 30, 2001.
2. Based on our audit procedures performed, no indication came to our attention that caused us to believe that the Town was in a state of financial emergency as a consequence of 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 (the Foundation). 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 501c(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 Rule 10.556(8).