

TOWN OF MELBOURNE VILLAGE, FLORIDA

Annual Financial Report

September 30, 2018

**TOWN OF MELBOURNE VILLAGE, FLORIDA
TOWN OFFICIALS
AT SEPTEMBER 30, 2018**

Mayor:

Rand Carroll

Vice-Mayor:

Scott McCoy

Commissioners:

Valerie Calenda
Steve Gaul
Richard Jones
Gerda Murphy
David Sinton

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Town Commission
Town of Melbourne Village, Florida

Report of the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Melbourne Village, Florida (the "Town"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Melbourne Village, Florida, as of September 30, 2018, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, Stormwater Utility Fund and Investment Fund A, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, 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. I have applied certain limited procedures to management's discussion and analysis 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 26, 2019 on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, listed in the table of contents as Independent Auditor's 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*. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Titusville, Florida
June 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Melbourne Village, we offer readers of the Town of Melbourne Village's financial statements this narrative overview and analysis of the financial activities of the Town of Melbourne Village for the year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follows this section.

Financial Highlights

- The Town's total net position increased by \$13,643 over last year.
- Property taxes account for \$401,558 or approximately 53.45 percent of all revenues. This figure was up \$28,587 from last year.
- Other taxes, primarily utility taxes and franchise payments, account for \$204,649 or 27.23 percent of all revenues. This figure was up \$12,336 from the prior year.
- The Town had \$737,682 in expenses related to governmental activities. Total revenues were \$751,325 leaving an excess of revenue over expenses of \$13,643. This excess manifests in the Town's net position as an increase in net capital assets of \$15,378 and restricted funds of \$72, and a decrease in the unrestricted fund balance of \$1,807.
- The Town of Melbourne Village's assets exceeded its liabilities at September 30, 2018 by \$1,863,993. Of this amount, \$226,088 is invested in the Town's capital assets, \$8,944 is restricted for specific purposes, and \$1,628,961 is unrestricted and subject to the Town's discretion. These amounts were increased from the prior year by \$15,378 for capital assets and \$72 for restricted assets, and decreased by \$1,807 for unrestricted assets.
- The difference between the unrestricted balance of \$1,628,961 on a full accrual basis and the Governmental Funds total fund balances of \$1,661,930 is due to the Town's accrued compensated absences of \$24,025 and the restricted amount of \$8,944. The total fund balance of the Governmental Funds consists of non-spendable, restricted, committed, assigned and unassigned amounts. The Town's committed funds consist of \$1,233,585 in the Town's stabilization fund (Investment Fund A) and \$2,460 in the Stormwater Utility Fund. Non-spendable funds consist of \$21,098 for prepaid items. Assigned funds of \$292,443 are for future expenses of road resurfacing, tree maintenance and placement, stormwater planning, a reserve for the Community House, and a hurricane reserve. \$103,400 is the Town's unassigned fund balance.
- The unassigned fund balance is equal to approximately 14 percent of the Town's operating costs for the year. This is an adequate but not excessive reserve, given the Town's dependence on revenue sources not under our control, and relatively small annual budget. A sufficient reserve provides the Town with time to secure alternate sources of revenue or adjust expenditures and levels of service in the event of a loss of a revenue stream, and provides for major expenditures that would not be possible to fund in a single year.

- The assigned funds include \$109,587 set aside for future road needs (re-pavement and maintenance), \$6,081 received from code enforcement action and set aside for tree related expenses, \$59,559 received from rental fees and set aside for the Community House, \$50,000 set aside for stormwater planning, \$79 for a historical restoration project and \$67,137 that, as we previously reported, is the balance of the \$100,000 transferred from the Special Revenue Fund A in 2004-05 (to cover expenses related to the hurricanes that impacted the Town in September 2004) being held as a designated reserve which will be designated by the Town Commission for future expenses.

Overview of the Financial Statements

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two types of statements that present different views of the Town:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the Government-wide statement.
- The statement of activities shows how basic services such as public safety were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about activities that operate like businesses. The Town of Melbourne Village currently has no proprietary funds.
- Fiduciary funds statements provide information about the financial relationships in which the government acts solely as a trustee or agent for the benefit of others. The Town of Melbourne Village currently has no fiduciary funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Government-wide Financial Statements

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

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. To assess the Town's overall health, the reader should consider additional non-financial factors such as changes in the Town's property tax base and the condition of roads, drainage installations, and other facilities.

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

Both of the Government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (general revenues) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (charges for services). Included in governmental activities are most of the Town's basic services such as public safety, public works, permitting, and administration. The Town currently has no business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds. Funds are account groupings the Town uses to track specific sources of funding and spending on particular programs. The Town, like other local governments, uses fund accounting to measure the use of current resources and to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: All of the Town's basic services are included in governmental funds, which generally focus on the near-term inflows, outflows, and balance of spendable resources available at year-end. Because this information does not encompass the long-term focus of the Government-wide statements, additional information in the form of a reconciliation schedule is presented to show differences between the presentations.

The Town maintained three individual governmental funds as of October 1, 2017. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the (1) General Fund, (2) Stormwater Utility Fund, and (3) Investment Fund A, because they are considered major funds. The Town has no debt-service fund as there is no long-term debt outstanding.

The Town also reports budget-to-actual information of all governmental funds.

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.

Government-wide Financial Analysis

The government-wide statements represent the approach mandated by the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB sets the uniform standards for presenting government annual financial reports.

Table 1 provides a summary of the Town's net position at September 30, 2018, and changes from the prior year.

Table 1
Summary Statement of Net Position

	Governmental Activities		
	2018	2017	Change
Current and other assets	\$1,682,797	\$1,691,084	\$ (8,287)
Capital assets, net	226,088	210,710	15,378
Total assets	1,908,885	1,901,794	7,091
Long-term liabilities	20,417	21,598	(1,181)
Other liabilities	24,025	29,150	(5,125)
Total liabilities	44,442	50,748	(6,306)
Deferred inflows of resources	450	696	(246)
Net position:			
Net investment in capital assets	226,088	210,710	15,378
Restricted	8,944	8,872	72
Unrestricted	1,628,961	1,630,768	(1,807)
Total net position	\$1,863,993	\$1,850,350	\$ 13,643

Table 2 provides a summary of the changes in net position. Following Table 2 is a specific discussion related to overall revenues and expenses.

Table 2
Changes in Net Position

	Governmental Activities		
	2018	2017	Change
Revenues			
Program revenues:			
Charges for services	\$ 103,912	\$ 97,072	\$ 6,840
Operating grants/contributions	3,420	550	2,870
Capital grants/contributions	-	1,000	(1,000)
General revenues:			
Property taxes	401,558	372,971	28,587
Sales taxes	41,187	39,054	2,133
Local option motor fuel taxes	16,939	17,704	(765)
Utility taxes and franchise fees	146,523	135,555	10,968
Intergovernmental revenues	19,799	19,102	697
Investment revenue	16,650	7,301	9,349
Miscellaneous revenue	1,337	2,151	(814)
Total revenues	<u>751,325</u>	<u>692,460</u>	<u>58,865</u>
Expenses			
General government	177,333	171,338	5,995
Public safety	374,224	374,851	(627)
Physical environment	182,813	170,686	12,127
Unallocated depreciation	3,312	3,347	(35)
Total expenses	<u>737,682</u>	<u>720,222</u>	<u>17,460</u>
Change in net position	13,643	(27,762)	41,405
Net position, beginning	<u>1,850,350</u>	<u>1,878,112</u>	<u>(27,762)</u>
Net position, ending	<u><u>\$1,863,993</u></u>	<u><u>\$1,850,350</u></u>	<u><u>\$ 13,643</u></u>

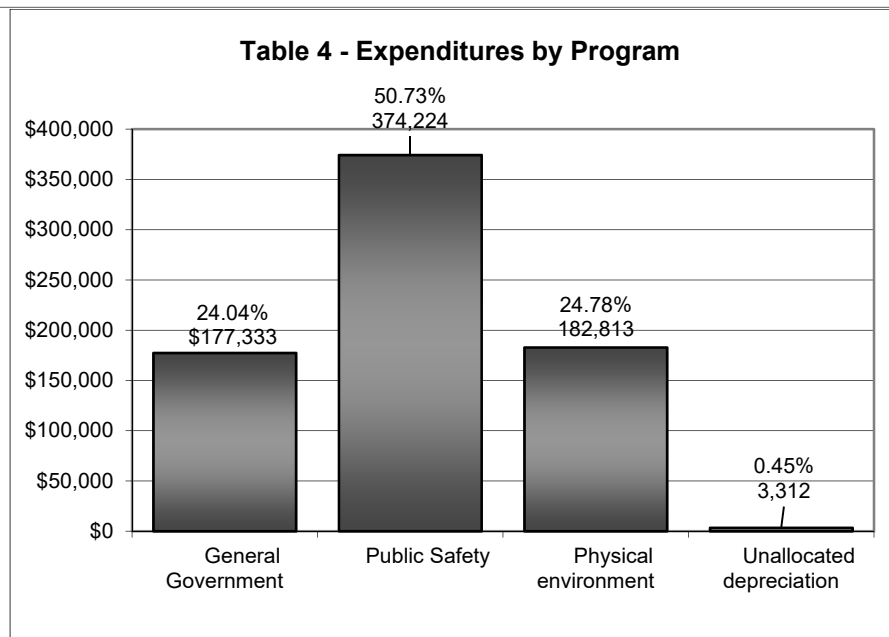
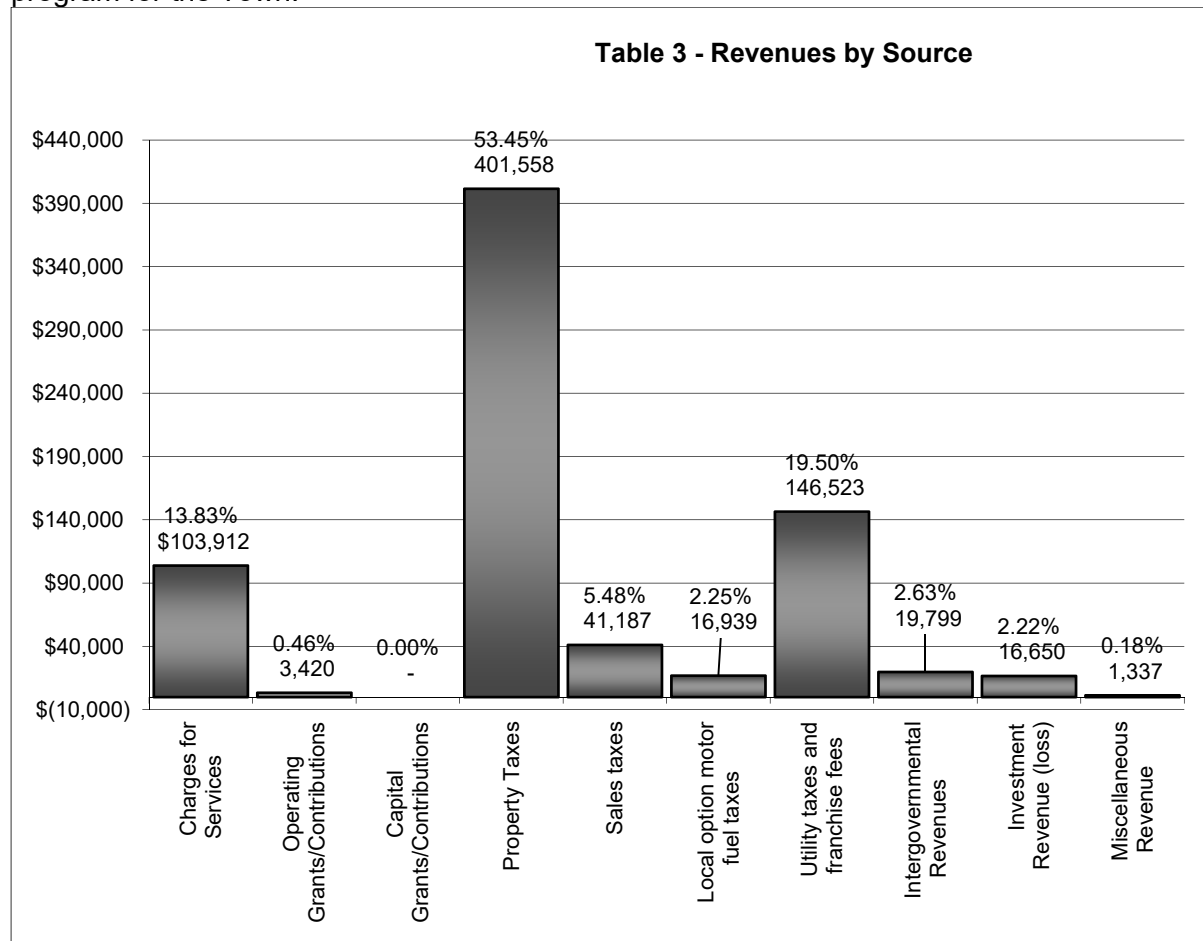
- The primary source of operating revenue for the Town comes from taxes, including property taxes and utility taxes.
- The cost of all governmental activities this year was \$737,682.
- Grants and donations provided \$3,420, and user fees and charges for services generated \$103,912.
- Most of the Town's costs were, however, financed by Town and State taxpayers.
- The difference in revenues from 2017 to 2018 was an increase of \$58,865. The major factors contributing to this increase in revenue were the increase in Property Taxes of \$28,587, in Utility Taxes and Franchise fees of \$10,968, in Investment Revenue of \$9,349, in Charges for Services of \$6,840, in Sales Tax of \$2,133, and various minor changes up and down throughout the budget.
- Property taxes account for the largest source of the Town's revenue, contributing almost 54 cents for every dollar of revenue (see Table 3). The millage rate of 9.7332, with the new construction, generated \$28,587 more than in 2017.
- Interest rates have improved quite a bit. Interest income is still lower than in the past but is making more of an impact on revenues than in recent years, more than doubling in 2018 over 2017.
- In summary, governmental activities were financed with \$606,207 in taxes and franchise fees, \$103,912 in charges for services, \$3,420 in grants and contributions, \$19,799 in intergovernmental revenue, \$16,650 in investment earnings, and \$1,337 in miscellaneous revenue for a total of \$751,325.

The Town's expenses predominantly relate to law enforcement, public works, and administration services, which includes support for the building permit department and the general governmental functions of the Town. Given that the Town is a service organization providing governmental services to residents, the majority of expenses are paid in the form of compensation (salaries and benefits) to the Town's employees.

Total expenses in 2018 were \$737,682. This was a \$17,460 increase from those of 2017. The most significant contributions to this difference were expenses for rental equipment and temporary employee payroll to begin a major rehabilitation of the stormwater management system throughout the town, for a total of \$10,700, an increase of \$21,100 in health insurance, and an increase of \$8,750 in payroll and payroll related items, offset by various lesser increases and decreases throughout the budget, and the net increase in capital assets of \$15,378.

- The Town purchased a mini-excavator this year for a cost of \$33,900 to enable the completion of the stormwater system rehabilitation without incurring additional rental equipment expenses.
- The air conditioners in the Hester Wagner Community House were replaced at a cost of \$10,200.
- Upgrades to the electrical system at the Town garage were completed for \$2,100.

Detailed below in Tables 3 and 4 are charts displaying revenues by source, and expenses by program for the Town.



Financial Analysis of the Town's Funds

The Town's governmental funds are accounted for using the modified accrual basis of accounting. Governmental funds have total revenues of \$751,325 and expenditures of \$757,832. The net change in fund balance for the year was (\$6,507).

General Fund Budgetary Highlights

The Town approves a budget in September based on anticipated revenue for the following year. The Town frequently adopts a revision to the annual budget late in the year. The Town adopted Ordinance 2018-04, a revised annual operating budget for the fiscal year 2017-18, in November 2018. The anticipated revenues were increased in the revised budget by \$22,143 due primarily to expected increases in utilities taxes and franchise fees, and a few minor adjustments. Anticipated expenditures were increased by \$90,071 from the original budget due to increases of \$25,630 in Police payroll related expenses including health insurance, \$27,650 in Public Works expenses for equipment rental, temporary labor, payroll increases and related expenses, and \$40,700 in capital expense for a mini-excavator and air conditioners at the Hester Wagner Community House. Other changes totaled a reduction of about \$3,900.

The actual revenues were \$8,726 more than budgeted due to several minor increases.

The actual expenditures were \$12,349 under budget, due to minor overages and savings in various items throughout the budget.

Capital Assets

By the end of the fiscal year 2017-18, the Town had invested \$226,088 (net of depreciation) in capital assets, including land, buildings, site improvements, vehicles, and other equipment. (See Table 5).

Table 5
Schedule of Capital Assets
(net of accumulated depreciation)

	Governmental Activities		
	2018	2017	Change
Land	\$ 40,300	\$ 40,300	\$ -
Buildings and improvements	92,576	87,450	5,126
Furniture and equipment	52,714	25,325	27,389
Vehicles	12,148	19,194	(7,046)
Infrastructure	28,350	38,441	(10,091)
Total	<u>\$ 226,088</u>	<u>\$ 210,710</u>	<u>\$ 15,378</u>

Long-Term Debt

At year-end, the Town had no long-term debt outstanding, except accrued vacation time for employees. The Town has no long-term commitments or liabilities regarding pensions or other postemployment benefits.

Factors Bearing on the Town's Future

At the time these financial statements were prepared and audited, the Town was aware of the following existing circumstances that could affect its financial health in the future.

- While the Town is close to build-out as far as vacant home-sites are concerned, we are seeing a steady trend towards major remodeling and rebuilding on existing home-sites. The current upturn in the market is causing an increase in remodeling projects and tear down/rebuilds. Melbourne Village is a desirable location with a significant inventory of older houses, so we anticipate that the Town will continue to see one to two major single-family-home building/remodeling permits per year.
- Because the majority of the Town's expenses are in the form of compensation (salaries and benefits) to the Town's employees, increases in the cost of providing benefits, and increases in compensation are the major factors in increasing the budget each year. While the Town was able to offset these increases this year, recent history shows anticipated increases of 2-3% of wages plus 3-5% of health insurance, equaling approx. \$15,000 per year. In past years the Town has covered this increase by increasing the ad valorem property tax rate by 10% over the roll back rate. The actions of the State Legislature, combined with the fall in property values since 2008 have pushed the millage rate over 9 mills, flirting with the 10 mill cap. Recovering property values are again creating roll-backs, but the Town is still limited by this cap. The Town, therefore, may need to fund these increases from other sources or consider a reduction in levels of service in the future.
- While the economy is recovering, the State is still faced with increasing deficits in funding. Though less likely than in recent years, the Town may face reductions in state revenues as legislation is considered to make up shortfalls elsewhere by rewriting formulas for distribution of these funds. The Town may also face un-funded mandates, as the legislature adopts new requirements and programs without funding behind them.
- The Town Commission established a Stormwater Utility and implemented a Stormwater Utility Fee in FY 2010-11 to fund improvements and maintenance of the Town's Stormwater infrastructure. The Town may consider increasing the fee and dedicating more time and resources to the stormwater system.
- As a result of flooding from the recent Hurricanes, the Town Commission is currently examining options for updating Stormwater infrastructure throughout the Town and then updating and improving the Town's Stormwater Master Plan. This planning effort will be funded from the Stormwater Utility and Hurricane funds from Investment Fund A. A reserve of \$50,000 has been established by the Town for this purpose.
- The Town Commission is aware that the culvert and bridge at Dayton Blvd. crossing the M-1 canal has exceeded the design lifespan. The Mayor and Commission are exploring options to repair, re-do, or replace the culvert and covering structure. This project will likely involve a capital expenditure of between \$350,000 and \$500,000. The Town is looking at possible sources of funding for this.
- With the retirement of the Chief of Police in 2019, after the resignation of a long-time sergeant in 2018, the Town will face a significant one-time expense for accrued leave, and the need to bring new, less experienced personnel up to speed. This can involve expenses in time and training, which the Town administration will be cognizant of.

Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk/Treasurer's office:

Phone: 321-723-8300

Mail or in person: 555 Hammock Road,
Melbourne Village, FL 32094

e-mail: Town@melbournevillage.org



Heidi Salmon
Mayor (as of November 2018)



Gail E. Griswold
Town Clerk/Treasurer

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,611,838
Accounts receivable	40,917
Prepaid items	21,098
Restricted assets:	
Cash and cash equivalents	8,944
Capital assets (not being depreciated):	
Land	40,300
Capital assets (net of accumulated depreciation):	
Buildings and improvements	92,576
Furniture and equipment	52,714
Vehicles	12,148
Infrastructure	28,350
Total assets	<u>1,908,885</u>
LIABILITIES	
Accounts payable and accrued liabilities	19,652
Unearned revenue	765
Noncurrent liabilities:	
Due within one year	13,726
Due in more than one year	10,299
Total liabilities	<u>44,442</u>
DEFERRED INFLOWS OF RESOURCES	
Business taxes not yet earned	450
Total deferred inflows of resources	<u>450</u>
NET POSITION	
Net investment in capital assets	226,088
Restricted for:	
Transportation (impact fees)	8,807
Law enforcement trust fund	137
Unrestricted	1,628,961
Total net position	<u><u>\$ 1,863,993</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
Governmental activities:					
General government	\$ 177,333	\$ 41,010	\$ 420	\$ -	\$ (135,903)
Public safety	374,224	14,908	3,000	-	(356,316)
Physical environment	182,813	47,994	-	-	(134,819)
Unallocated depreciation	3,312	-	-	-	(3,312)
Total government	<u>\$ 737,682</u>	<u>\$ 103,912</u>	<u>\$ 3,420</u>	<u>\$ -</u>	<u>(630,350)</u>
General revenues:					
					401,558
					41,187
					16,939
					146,523
					19,799
					16,650
					1,337
					<u>643,993</u>
Change in net position					13,643
Net position - beginning					<u>1,850,350</u>
Net position - ending					<u>\$ 1,863,993</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Stormwater Utility Fund</u>	<u>Investment Fund A</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,611,838	\$ -	\$ -	\$ 1,611,838
Accounts receivable	28,814	12,103	-	40,917
Prepaid items	21,098	-	-	21,098
Due from other funds	9,396	-	1,233,585	1,242,981
Restricted assets:				
Cash and cash equivalents	8,944	-	-	8,944
Total assets	<u>\$ 1,680,090</u>	<u>\$ 12,103</u>	<u>\$ 1,233,585</u>	<u>\$ 2,925,778</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 19,405	\$ 247	\$ -	\$ 19,652
Due to other funds	1,233,585	9,396	-	1,242,981
Unearned revenue	765	-	-	765
Total liabilities	<u>1,253,755</u>	<u>9,643</u>	<u>-</u>	<u>1,263,398</u>
Deferred Inflows of Resources				
Business taxes not yet earned	450	-	-	450
Total deferred inflows of resources	<u>450</u>	<u>-</u>	<u>-</u>	<u>450</u>
Fund Balances				
Nonspendable	21,098	-	-	21,098
Restricted	8,944	-	-	8,944
Committed	-	2,460	1,233,585	1,236,045
Assigned	292,443	-	-	292,443
Unassigned	103,400	-	-	103,400
Total fund balances	<u>425,885</u>	<u>2,460</u>	<u>1,233,585</u>	<u>1,661,930</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,680,090</u>	<u>\$ 12,103</u>	<u>\$ 1,233,585</u>	<u>\$ 2,925,778</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Fund balances - total governmental funds	\$ 1,661,930
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The net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	40,300	
Buildings and improvements, net	92,576	
Furniture and equipment, net	52,714	
Vehicles, net	12,148	
Infrastructure, net	28,350	226,088

Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds	(24,025)
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Net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ 1,863,993</div>
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The accompanying notes are an integral part of the financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Stormwater Utility Fund	Investment Fund A	Total Governmental Funds
REVENUES				
Taxes and franchise fees	\$ 565,020	\$ -	\$ -	\$ 565,020
Licenses and permits and other fees	31,558	47,994	-	79,552
Intergovernmental revenues	64,318	-	-	64,318
Fines and forfeitures	3,357	-	-	3,357
Investment income (net)	271	-	16,379	16,650
Miscellaneous revenue	22,428	-	-	22,428
Total revenues	<u>686,952</u>	<u>47,994</u>	<u>16,379</u>	<u>751,325</u>
EXPENDITURES				
Current				
General government	174,408	-	-	174,408
Public safety	371,256	-	-	371,256
Physical environment	159,862	3,155	-	163,017
Capital outlay	49,151	-	-	49,151
Total expenditures	<u>754,677</u>	<u>3,155</u>	<u>-</u>	<u>757,832</u>
Excess (deficiency) of revenues over (under) expenditures	(67,725)	44,839	16,379	(6,507)
OTHER FINANCING SOURCES (USES)				
Transfers in	120,564	-	-	120,564
Transfers out	-	(67,000)	(53,564)	(120,564)
Total other financing sources (uses)	<u>120,564</u>	<u>(67,000)</u>	<u>(53,564)</u>	<u>-</u>
Net change in fund balances	<u>52,839</u>	<u>(22,161)</u>	<u>(37,185)</u>	<u>(6,507)</u>
Fund balances, beginning of year	<u>373,046</u>	<u>24,621</u>	<u>1,270,770</u>	<u>1,668,437</u>
Fund balances, end of year	<u>\$ 425,885</u>	<u>\$ 2,460</u>	<u>\$ 1,233,585</u>	<u>\$ 1,661,930</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds \$ (6,507)

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 is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current period:

Expenditure for capital assets	\$ 49,151	
Current year depreciation	<u>(33,773)</u>	15,378

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Those include:

Accrued compensated absences		<u>4,772</u>
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Change in net position of governmental activities	<u>\$</u>	<u><u>13,643</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes and franchise fees	\$ 547,746	\$ 565,269	\$ 565,020	\$ (249)
Licenses and permits and other fees	23,100	23,100	31,558	8,458
Intergovernmental revenues	61,737	64,737	64,318	(419)
Fines and forfeitures	3,500	2,900	3,357	457
Investment income (net)	1,000	300	271	(29)
Miscellaneous revenue	19,000	21,920	22,428	508
Total revenues	<u>656,083</u>	<u>678,226</u>	<u>686,952</u>	<u>8,726</u>
EXPENDITURES				
Current				
General government	184,841	180,932	174,408	6,524
Public safety	347,415	373,045	371,256	1,789
Physical environment	137,699	165,349	159,862	5,487
Capital outlay	7,000	47,700	49,151	(1,451)
Total expenditures	<u>676,955</u>	<u>767,026</u>	<u>754,677</u>	<u>12,349</u>
Excess (deficiency) of revenues over (under) expenditures	(20,872)	(88,800)	(67,725)	21,075
OTHER FINANCING SOURCES (USES)				
Transfers in	46,000	71,000	120,564	49,564
Total other financing sources (uses)	<u>46,000</u>	<u>71,000</u>	<u>120,564</u>	<u>49,564</u>
Net change in fund balances	25,128	(17,800)	52,839	70,639
Fund balances, beginning of year	<u>373,046</u>	<u>373,046</u>	<u>373,046</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 398,174</u></u>	<u><u>\$ 355,246</u></u>	<u><u>\$ 425,885</u></u>	<u><u>\$ 70,639</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
STORMWATER UTILITY FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Licenses and permits and other fees	\$ 49,500	\$ 49,500	\$ 47,994	\$ (1,506)
Total revenues	<u>49,500</u>	<u>49,500</u>	<u>47,994</u>	<u>(1,506)</u>
EXPENDITURES				
Current				
Physical environment	<u>4,500</u>	<u>4,500</u>	<u>3,155</u>	<u>1,345</u>
Total expenditures	<u>4,500</u>	<u>4,500</u>	<u>3,155</u>	<u>1,345</u>
Excess (deficiency) of revenues over (under) expenditures	45,000	45,000	44,839	(161)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(42,000)</u>	<u>(67,000)</u>	<u>(67,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(42,000)</u>	<u>(67,000)</u>	<u>(67,000)</u>	<u>-</u>
Net change in fund balances	3,000	(22,000)	(22,161)	(161)
Fund balances, beginning of year	<u>24,621</u>	<u>24,621</u>	<u>24,621</u>	<u>-</u>
Fund balances, end of year	<u>\$ 27,621</u>	<u>\$ 2,621</u>	<u>\$ 2,460</u>	<u>\$ (161)</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
INVESTMENT FUND A - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Investment income (net)	\$ 9,000	\$ 9,000	\$ 16,379	\$ 7,379
Total revenues	9,000	9,000	16,379	7,379
EXPENDITURES				
Current				
General government	1,000	1,000	-	1,000
Total expenditures	1,000	1,000	-	1,000
Excess (deficiency) of revenues over (under) expenditures	8,000	8,000	16,379	8,379
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,000)	(4,000)	(53,564)	(49,564)
Total other financing sources (uses)	(4,000)	(4,000)	(53,564)	(49,564)
Net change in fund balances	4,000	4,000	(37,185)	(41,185)
Fund balances, beginning of year	1,270,770	1,270,770	1,270,770	-
Fund balances, end of year	\$ 1,274,770	\$ 1,274,770	\$ 1,233,585	\$ (41,185)

The accompanying notes are an integral part of the financial statements.

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TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Melbourne Village, Florida (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the Town are described below.

1. Reporting entity

The Town was incorporated during a special session of the Florida legislature on May 13, 1957 under Chapter 57-1578, Special Laws of Florida, and was given all powers possible for a municipality under the constitution and laws of the State of Florida. The Town is governed by a seven-member Commission consisting of a Mayor/Commissioner and six Commissioners, all of whom are elected by the registered voters of the Town. The Commission annually elects a Vice-Mayor from among its members. The Town provides a wide range of services as directed by the Town Charter, including general government, public safety, public improvements, planning and zoning and other related general and administrative services for its approximately 700 residents.

The Governmental Accounting Standards Board established standards for defining and reporting, as well as establishing criteria for inclusion of component units, in the Town's financial statements. Component units are entities for which the Town is considered financially accountable or for which exclusion would cause the Town's financial statements to be misleading or incomplete. Based on the criteria set forth by GASB, the Town has determined that there are no component units that must be included in the Town's financial statements.

2. Government-wide and fund financial statements

The basic financial statements include the government-wide and fund financial statements and the notes to the financial statements. The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements report on all non-fiduciary activities of the Town and categorize primary activities as either governmental or business-type. *Governmental activities* are significantly supported by property and other taxes and revenues from other governments. *Business-type activities* rely to a significant extent on user fees and charges for support. All of the Town's primary activities are governmental. As part of the consolidation process, the effect of interfund activity has been eliminated from the government-wide financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as presented in the Statement of Net Position, is subdivided into three categories: net investment in capital assets, restricted net position, and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.

The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are costs the Town has allocated to functions and programs through various allocation methods, such as liability insurance costs. Program revenues include: (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not classified as program revenues are reported as general revenues.

The Town's fund financial statements report detailed information about the Town's governmental funds. Major funds are reported in separate columns in the fund financial statements and non-major funds, if any, are aggregated and presented as a separate column on each statement. All of the Town's funds are reported as major funds. As described below, governmental fund financial statement results are presented on a different basis of accounting than government-wide statements. The adjustments necessary to convert from the governmental fund level to the government-wide presentation are explained on a reconciliation following the respective fund financial statement.

3. Measurement focus, basis of accounting, and financial statement presentation

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded in the period earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recorded as soon as they are both measurable and available to finance expenditures of the current period. Revenues are considered to be available to pay the liabilities of the current period ("susceptible to accrual") if they are collected within sixty (60) days of the end of the current fiscal period. The Town's primary revenue sources - property taxes, utility taxes, franchise fees, sales taxes, fuel taxes, and fines and forfeitures - are typically collected within sixty (60) days and, being susceptible to accrual, have been recognized as revenues of the current fiscal period. All other revenues, such as licenses and permits, charges for services, and miscellaneous revenues are considered to be measurable and available only when cash is received by the Town. In applying the susceptible to accrual concept to grants and contributions, the Town recognizes revenues as measurable when the applicable eligibility requirements, including time requirements, are met.

Expenditures of governmental funds are generally recorded when a liability is incurred, as under the accrual basis of accounting; however, accumulated vacation pay and debt service expenditures are typically recorded only when payment is due.

The Town reports the following as major governmental funds:

General Fund - The General Fund is the primary operating fund of the Town and is used to account for all financial resources of the general government, except for those required to be accounted for in another fund.

Stormwater Utility Fund - The Stormwater Utility Fund was established with Ordinance 2008-5 and funded with Resolution 2011-02. The purpose of the utility is to provide a significant portion of the funding required for the planning, construction, operation, and maintenance of the Stormwater Management system throughout the Town. The majority of the Stormwater expenditures will be disbursed from and recorded in the General Fund. The Stormwater Utility Fund will reimburse the General Fund for the majority of these expenditures through transfers at least annually. From time to time the Stormwater Utility Fund may accumulate a balance that will be committed for future projects and/or purchases which exceed the funds available in any one year.

Investment Fund A - The Investment Fund A (Special Investment Fund) was established by the Town Commission by Ordinance 2009-01 in April 2009 and funded from a prior trust fund created as settlement in a property dispute in which the Town was the plaintiff. The funds involved were derived from the sale of the property in question and included no tax revenue. No amounts are deposited into this fund from any source other than redeposit of amounts from the fund itself and investment earnings of the fund.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Investment Fund A (continued)

The fund's balance is committed for use as a stabilization fund in the event of a declared disaster affecting the Town financially. In this circumstance, the Commission may withdraw up to \$75,000 by written resolution without a referendum for the direct costs of the disaster or recovery, mitigation expenses, or any other valid municipal purpose. In the event the Commission wishes to withdraw an amount for any reason other than a declared disaster, it shall first put the question of the withdrawal to a referendum of the voters of the Town. The Town may annually withdraw up to one-half (1/2) of the net income of the fund for the operations and discretionary use of the Town.

4. Assets, liabilities and fund balance

a. *Cash and investments*

The Town's cash and cash equivalents are defined as cash on hand, demand deposits, certificates of deposit, and amounts invested in the State Board of Administration's ("SBA") Florida PRIME investment pool ("Florida PRIME"), the Florida Municipal Investment Trust, and other similarly constituted funds.

Florida PRIME adopted GASB 79 and, as a result, operates in a manner consistent with the criteria and requirements of that statement. Accordingly, investments in that fund are reported using the amortized cost method. The dollar weighted average days to maturity and weighted average life as of September 30, 2018 were 33 days and 72 days, respectively, and there were no redemption fees or any other requirements that would limit a participant's daily access to 100% of its account value. A redemption gate of forty-eight (48) hours and up to an additional fifteen (15) days may apply to material withdrawals.

According to the Town's investment policy, the Town may invest, with certain restrictions, in: (1) The Florida Local Government Surplus Funds Trust Fund (currently Florida PRIME); (2) United States government securities; (3) United States government agencies; (4) United States government sponsored agencies limited to the following: Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Student Loan Marketing Association; (5) non-negotiable interest bearing time deposits or savings accounts in qualified public depositories, as defined in Florida Statute 280.02; (6) SEC registered investment companies (money market mutual funds); and (7) intergovernmental investment pools. In addition, the Town may also invest in the following with the approval of the Town Commission: (1) repurchase agreements; (2) commercial paper; (3) corporate notes; (4) bankers' acceptances; and (5) state and/or local government taxable and/or tax-exempt debt. Derivatives and reverse repurchase agreements are not permitted.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

a. *Cash and investments (continued)*

No investment's maturity may exceed five (5) years in order to limit interest rate risk and some investments, such as repurchase agreements, are required to have a shorter duration.

The Town's investment policy requires minimum ratings using nationally recognized rating agencies for the following investments: (1) money market mutual funds - AAm/AAm-G; (2) commercial paper - Prime-1 or A-1; (3) corporate notes - AA; (4) bankers' acceptances - P-1 or A-1; and (5) state and/or local government taxable and/or tax-exempt debt - AA for long-term debt and MIG-1 or SP-1 for short-term debt.

The Town's investment policy allows the maximum percentage of available funds to be invested in the following issuers: (1) SBA Florida PRIME - 75% of total; (2) U.S. government securities - 100% of total; (3) U.S. government agencies - 80% of total, 25% in any one issuer; (4) U.S. government sponsored agencies - 50% of total, 15% in any one issuer; (5) repurchase agreements and commercial paper - 25% of total, 15% in any one issuer; (6) interest bearing time deposits or savings accounts - 100% of total, 25% in any one issuer; (7) money market funds - 50% of total, 25% in any one issuer; (8) intergovernmental investment pool - 50% of total; (9) corporate notes - 25% of total, 15% in any one issuer; (10) bankers' acceptances - 25% of total, 10% in any one issuer; and (11) state and/or local government taxable and/or tax-exempt debt - 20% of total. The Town Commission may allow all available funds from any fund to be invested in one time-deposit account, savings account, money market fund, or intergovernmental investment pool.

b. *Interfund receivables and payables*

Activity between funds that are representative of lending/borrowing and custodial arrangements outstanding at the end of the fiscal year, if any, 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."

At September 30, 2018, there was a balance due from the Stormwater Utility Fund to the General Fund in the amount \$9,396, and a balance due to Investment Fund A from the General Fund in the amount of \$1,233,585.

c. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. In the fund balance section of the fund financial statements, these amounts are segregated as nonspendable to indicate that they do not represent available financial resources.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

d. Capital assets

Capital assets include land, buildings, furniture, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the government-wide financial statements. Capital assets purchased or acquired are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair value as of the date received. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$250 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized.

As permitted in GASB Statement No. 34, the Town has elected not to record and depreciate infrastructure assets placed in service prior to June 30, 1980.

Capital assets of the Town (including any assets amortized under lease purchase contracts) are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 7 years
Vehicles	5 years
Infrastructure	15 - 50 years

e. Unearned revenue

Unearned revenue at September 30, 2018 consists primarily of rental fees collected in advance for subsequent year usage of the Town's Community House.

f. Compensated absences

The Town records the vested portion of accumulated, unused compensated absences at year-end based on each employee's unused hours and rate of pay. All compensated absences are accrued when incurred in the government-wide financial statements as accrued liabilities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

g. Deferred inflows of resources

- Business taxes not yet earned at September 30, 2018 consists of prepaid business taxes due to the Town on October 1 each year.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

h. Fund balance

GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town must observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications under GASB 54 are Nonspendable and Spendable. Spendable fund balance is further classified as Restricted, Committed, Assigned and Unassigned. These classifications reflect not only the nature of the funds but also provide clarity as to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund and the General Fund is the only fund that reports a positive Unassigned balance. In all other funds, Unassigned is limited to negative residual fund balance (if any).

In accordance with GASB 54, the Town classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form (such as inventory and prepaid items) or the amounts are required to be maintained intact due to legal or contractual requirements.

Spendable -

- **Restricted** - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors, or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action by the highest level of decision making authority, the Town Commission, through ordinances and/or resolutions. Commitments may be changed or lifted only by the Town Commission taking the same formal action that imposed the original constraint. These commitments must be in place prior to September 30.
- **Assigned** - includes fund balance amounts established by the Town Commission, or by an official or body to which the Town Commission delegates the authority, that are intended to be used for specific purposes that are neither restricted nor committed. The Commission has retained sole authority to assign fund balance.
- **Unassigned** - includes residual positive fund balance amounts within the general fund which have not been classified in any of the above categories. Unassigned fund balance may also include negative balances for any governmental fund if the nonspendable amount exceeds amounts that are restricted, committed or assigned for those specific purposes.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

h. Fund balance (continued)

In general, restricted amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit this, such as in grant agreements, or by action of the Town Commission. Further, the Town would generally first use committed, then assigned, and then unassigned amounts of spendable unrestricted fund balance when expenditures are made.

i. Property taxes

Property taxes are levied on property values as of January 1, are due and payable as of November 1 and are delinquent as of April 1. A tax certificate sale is held by the Brevard County Tax Collector at the end of May on all delinquent real estate taxes, and liens are placed on the properties. Real estate taxes, therefore, are considered to be fully collected prior to the end of the Town's fiscal year.

j. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date, and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B - BUDGETS

An annual budget is adopted for all funds of the Town and the legal level of budgetary control is the fund level. The budget can only be increased by adoption of a subsequent ordinance by the Town Commission. At any time during the fiscal year, the Commission may, by resolution, transfer part or all of any unencumbered appropriation balance from one department, office or program to another. Annual budget appropriations, to the extent not expended or encumbered, lapse at the end of each fiscal year.

Budgets are adopted on a basis that does not differ materially from accounting principles generally accepted in the United States of America.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS

All cash, cash equivalents, and investments are held in the name of the Town at various financial institutions. Investments are stated at fair value, or amortized cost if it approximates fair value. The carrying amounts of the Town's cash and cash equivalents on September 30, 2018, including restricted cash and cash equivalents of \$8,944, were as follows:

Deposits (in bank)	\$ 1,617,466
Cash on hand	135
SBA Florida PRIME	<u>3,181</u>
	<u>\$ 1,620,782</u>

Custodial risk - Custodial risk for deposits is the risk that, in the event of the depository institution's failure, the Town's deposits may not be returned to it and custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Town will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

The Town maintains an account at a local bank in the Town's name, used for its general daily operations. At September 30, 2018, the bank balance was \$1,623,359. Monies placed on deposit with financial institutions in the form of demand deposits and time deposits are defined as public deposits. The financial institutions in which the town places its deposits are certified as "qualified public depositories", as required under the Florida Security for Public Deposits Act. All balances in excess of Federal Depository Insurance Corporation ("FDIC") insurance for demand and time deposits are fully collateralized pursuant to Chapter 280, Florida Statutes (F.S.). All amounts are held by the Town's agent in the Town's name.

Cash and cash equivalents include amounts placed with the State Board of Administration (SBA) for participation in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405 F.S. Florida PRIME operates under investment guidelines established by Section 215.47 F.S. The fund seeks to operate in a manner consistent with the criteria and requirements of GASB 79, including diversification, credit quality and maturity conditions. The fund reports the value of portfolio assets at amortized cost. The credit rating of Florida PRIME at September 30, 2018 was AAAm.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2018 consisted of the following:

	General Fund	Stormwater Utility Fund
Accounts	\$ 20,021	\$ -
Intergovernmental	8,793	12,103
Total	<u>\$ 28,814</u>	<u>\$ 12,103</u>

The Town considers all receivables to be fully collectible at September 30, 2018; therefore, no allowance for doubtful accounts has been recorded.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 40,300	\$ -	\$ -	\$ 40,300
Capital assets being depreciated:				
Buildings and improvements	247,562	12,300	-	259,862
Furniture and equipment	162,745	36,851	-	199,596
Vehicles	103,081			103,081
Infrastructure	151,366	-	-	151,366
Total capital assets being depreciated	<u>664,754</u>	<u>49,151</u>	<u>-</u>	<u>713,905</u>
Less accumulated depreciation for:				
Buildings and improvements	160,112	7,174		167,286
Furniture and equipment	137,420	9,462		146,882
Vehicles	83,887	7,046	-	90,933
Infrastructure	112,925	10,091		123,016
Total accumulated depreciation	<u>494,344</u>	<u>33,773</u>	<u>-</u>	<u>528,117</u>
Capital assets, net	<u>\$ 210,710</u>	<u>\$ 15,378</u>	<u>\$ -</u>	<u>\$ 226,088</u>

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE E - CAPITAL ASSETS (continued)

Depreciation expense for governmental activities was charged to functions/programs of the Town as follows:

General government	\$ 1,913
Public safety	11,380
Physical environment	17,168
Unallocated	<u>3,312</u>
Total	<u><u>\$ 33,773</u></u>

Depreciation expense in the amount of \$3,312 for capital assets that serve all governmental functions was not allocated to the functions/programs of the Town for fiscal year ended September 30, 2018.

NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Liabilities reported as accounts payable and accrued liabilities on the statement of net position and balance sheet of the governmental funds at September 30, 2018 were as follows:

Current payables due to vendors	\$ 2,664
Salaries and wages payable and related liabilities	10,862
Intergovernmental	1,651
Deposits	<u>4,475</u>
Total	<u><u>\$ 19,652</u></u>

NOTE G - LONG-TERM OBLIGATIONS

Changes in accrued compensated absences for the year ended September 30, 2018 are summarized as follows:

	Governmental Activities
Compensated absences, beginning of year	<u>\$ 28,797</u>
Additions	25,684
Reductions	<u>(30,456)</u>
Compensated absences, end of year	<u><u>\$ 24,025</u></u>
Amounts due within one year	<u><u>\$ 13,726</u></u>

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE H - FUND BALANCES

Fund balances as of September 30, 2018 consisted of the following:

	General Fund	Stormwater Utility Fund	Investment Fund A
Nonspendable			
Prepaid items	\$ 21,098	\$ -	\$ -
Restricted			
Transportation	8,807	-	-
Police Trust Fund	137	-	-
Committed	-	2,460	1,233,585
Assigned			
Community house	59,559	-	-
Stormwater Planning	50,000		
Hurricane reserve	67,137	-	-
Road and streets	109,587	-	-
Forestry	6,081	-	-
Curtain restoration	79	-	-
Unassigned	103,400	-	-
Total	<u>\$ 425,885</u>	<u>\$ 2,460</u>	<u>\$ 1,233,585</u>

NOTE I - INTERFUND TRANSFERS

The Town makes annual transfers from the Stormwater Utility Fund to the General Fund in accordance with its annual budget in order to reimburse the General Fund for a portion of the expenditures it incurred on behalf of the Stormwater Utility Fund. The amount transferred during the fiscal year ended September 30, 2018 was \$67,000.

The Town is permitted to transfer up to one-half (1/2) of the prior fiscal year's net earnings of Investment Fund A to the General Fund for the operations and discretionary use of the Town. The transfer of net earnings to the General Fund during the fiscal year ended September 30, 2018 was \$3,564.

Investment Fund A serves as a stabilization fund in the event of a declared disaster affecting the Town financially. As a result of flooding from recent hurricanes, the Town transferred \$50,000 from Investment Fund A to the General Fund and established a Stormwater Planning assigned fund balance to be used for future updates to the Town's stormwater infrastructure.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE J - SECTION 457 DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is administered by the ICMA Retirement Corporation and permits an employee to defer a portion of his/her salary until future years. All employees are eligible to participate in the Plan thirty days after hire and there is no minimum amount a participating employee must contribute. The maximum amount an employee may contribute to the Plan is the maximum amount allowable annually by the Internal Revenue Service. The Town will match an employee's contributions, up to 2.5% of the employee's salary for his/her first year of service. The Town's matching percentage will increase by 0.5% of the employee's salary for each subsequent year of service, up to a maximum of 5.0%. Deferred compensation withdrawals are not available to employees until termination of employment, retirement, death, or an unforeseeable emergency. For the year ended September 30, 2018, the Town's matching contributions totaled \$16,080. In accordance with current professional pronouncements, the Town has not included such funds in its financial statements.

NOTE K - 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; and natural disasters. In order to limit its exposure to these risks, the Town is a participant in the Florida League of Cities (a not-for-profit corporation) Florida Municipal Insurance Trust pool (the "Pool") for workers' compensation, general and auto liability, and property insurance. The Pool is a non-assessable, non-profit, tax-exempt risk-sharing pool offering liability, property, health, and workers' compensation programs to governmental entities and provides general liability coverage of \$100,000 per person and \$200,000 per occurrence as prescribed by Section 768.28, Florida Statutes (the "statutory limit"). The Town has specific excess coverage of \$1,500,000, inclusive of the statutory limit, which is available only through a Federal law claim or passage of a *claims bill* through the Legislature. Participants in the Pool are billed quarterly for their share of the costs of the Pool, adjusted for actual expense during the period of coverage. Participants are not assessed for unanticipated losses incurred by the Pool. Premium costs for the year ended September 30, 2018 totaled \$55,833. Settled claims have not exceeded the Town's insurance coverage in any of the past three years.

NOTE L - SUBSEQUENT EVENTS

At September 30, 2018, the Town's General Fund checking account included \$1,233,585 pertaining to Investment Fund A, the bulk of which had been deposited there on September 27, 2018 as the Town prepared to transfer these funds to an investment account with the Florida Local Government Investment Trust (the "FLGIT"). An account at the FLGIT was subsequently established for Investment Fund A and on November 8, 2018, the amount of \$1,233,585 was removed from the General Fund checking account and deposited to the new investment account.

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**INDEPENDENT AUDITOR'S 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**

The Honorable Mayor and
Members of the Town Commission
Town of Melbourne Village, Florida

I have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Town of Melbourne Village, Florida (the "Town"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated June 26, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Audit Findings as Finding 001.

I noted certain matters that I reported to management of the Town in a separate letter dated June 26, 2019.

Town's Responses to Findings and Other Matters

The Town's responses to the findings and other matters identified in my audit are included as separate letters dated June 26, 2019. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Titusville, Florida
June 26, 2019

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Finding
001**

Continuing Education on Investments

Criteria: Florida Statute section 218.415(14) states "The investment policy shall provide for the continuing education of the unit of local government's officials responsible for making investment decisions or chief financial officer. Such officials must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products." By virtue of adopting an investment policy, the Town must comply with 218.415(14) F.S. with regard to the continuing education requirement, regardless of the types of investments held.

Condition: The Town Clerk/Treasurer had not completed eight (8) hours of continuing education related to investments during fiscal year 2018. The types of investments the Town held during fiscal year 2018 would not have required that the Town have an investment policy, but the Town had not given consideration to repealing the investment policy and defaulting to Section 218.415(17) F.S. "Authorized Investments; No Written Investment Policy."

Cause: The Town Clerk/Treasurer did not pursue completing eight (8) hours of continuing education for fiscal year 2018 because the Town was solely invested in products that were listed as authorized investments under 218.415(17) F.S.

Effect: The Town is out of compliance with Section 218.415(14) F.S. as of September 30, 2018 and with the Town's investment policy.

Recommendation: It is recommended that either the Town Clerk/Treasurer complete eight (8) hours of continuing education annually related to investments in order to comply with State law and Town investment policy or the Town should consider repealing its investment policy and defaulting to 218.415(17) F.S. until such time as the Town sees a need to invest beyond the limits of 218.415(17) F.S.

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TOWN OF MELBOURNE VILLAGE

555 Hammock Road • Melbourne Village • Brevard County, Florida 32904-2513

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Email: tmv@fdn.com

June 26, 2019

The Honorable Mayor Salmon and Town Commission
Town of Melbourne Village
Melbourne Village, Florida

RE: Audit Findings

Dear Mayor Salmon and Town Commission,

In accordance with rules governing post-audit requirements and our letter of engagement with them, the auditing firm of Crawford CPA, Inc. has provided a Schedule of Audit Findings. This report is designed to communicate deficiencies in internal control over financial reporting and instances of noncompliance that have a direct and material effect on financial statement amounts.

The following response is given to the schedule concerning the fiscal year 2017-2018.

Finding 001 Continuing Education on Investments

Recommendation: It is recommended that either the Town Clerk/Treasurer complete eight (8) hours of continuing education annually related to investments in order to comply with State law and Town investment policy or the Town should consider repealing its investment policy and defaulting to 218.415(17) F.S. until such time as the Town sees a need to invest beyond the limits of 218.415(17) F.S.

Response: The Town Clerk/Treasurer will recommend to the Town Commission that the Town should consider repealing its investment policy and defaulting to 218.415(17) F.S. until such time as the Town sees a need to invest beyond the limits of 218.415(17) F.S. If the Commission does not elect to do so the Town Clerk/Treasurer will complete eight (8) hours of continuing education annually related to investments in order to comply with State law and Town investment policy.

Very truly yours,


Gail E. Griswold
Town Clerk/Treasurer

cc: Linda Crawford, CPA, CFE
Auditor General

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MANAGEMENT LETTER

The Honorable Mayor and
Members of the Town Commission
Town of Melbourne Village, Florida

Report on the Financial Statements

I have audited the financial statements of the Town of Melbourne Village, Florida (the "Town"), as of and for the fiscal year ended September 30, 2018, and have issued my report thereon dated June 26, 2019.

Auditor's Responsibility

I conducted my 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 Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida.

Other Reporting Requirements

I have issued my Independent Auditor's 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* and Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes, which is an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 26, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

a. Status of Prior Year Audit Findings:

- 1) Finding 001 *Public Depositor Annual Report to the Chief Financial Officer Not Timely Filed* - Corrected
- 2) Finding 002 *Continuing Professional Education on Investments* - Repeated as Finding 002 in FY2018 (similar Finding in fiscal years 2017 and 2016 as Finding 002, respectively)

b. Status of Prior Year Comments and Recommendations:

- 1) Comment 001 *Procurement Authorization and Documentation* - Corrected
- 2) Comment 002 *Investment Fund Transfer* - Corrected November 2018
- 3) Comment 003 *Unauthorized Expenditure in Excess of \$1,000* - Corrected

b. Status of Prior Year Comments and Recommendations (continued):

- 4) Comment 004 *Corrections to Timesheets* - Corrected
- 5) Comment 005 *Checklist for Required Filings and Other Matters* - Included in Comment 001 for FY2018

Official Title and Legal Authority

The name and legal authority of the Town are disclosed in the notes to the financial statements under Note A.

Financial Condition and Management

In connection with my audit, I determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

I applied financial condition assessment procedures pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General. It is management's responsibility to monitor the Town's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that I communicate any recommendations to improve the Town's financial management. In connection with my audit, I consider the comments listed in the attached Schedule of Current Year Comments and Recommendations, to be recommendations to improve the Town's financial management.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or were likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with my audit, no such findings were discovered by me or came to my attention.

Purpose of this Letter

This management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Town Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Titusville, Florida
June 26, 2019

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Comment

001 Fiscal Year-End Schedule

Criteria: A schedule of due dates for completion of each major year-end process will inform all parties of expected turnaround times required to meet deadlines, assist the Town in ensuring significant deadlines are not missed, and to facilitate the timely delivery of final financial statements for audit.

Condition: Though the Town uses an extensive year-end closing procedure designed to ensure materially accurate year-end account balances, the procedure did not include all required steps related to the close of the fiscal year, nor were the final financial statements completed in a timely manner for audit.

Cause: It was recommended in past years that the Town develop and implement a written year-end closing procedure or checklist that clearly defines each individual's role in the year-end process, with planned completion dates of key tasks well in advance of the June 30 deadline. While the Town has an extensive year-end closing process, the timeliness of completed tasks remains an issue. Including all year-end tasks on a closing procedures checklist, would help ensure all tasks are timely and are completed.

Effect: The late delivery of final financial statements to the auditor caused scheduling issues and a small grant receivable was missed.

Recommendation: It is recommended that the Town develop a schedule or checklist to monitor all tasks that must be completed as part of the year-end closing process to facilitate the timely submission of accurate financial reports and other data for audit.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Comment
002**

Capital Asset Schedule

Criteria: The Town's capital asset schedule should reflect usable capital assets held by the Town, as well as any impairments of these assets. The schedule should be reviewed by all department heads for accuracy no less than annually. Capital assets that will no longer be used by the Town in the future should be disposed of in accordance with Town policy. All capital assets should have some form of identifying information on the capital asset schedule for tracking purposes. Also, upon termination from service, all items issued to an Officer are to be properly accounted for and impaired assets (such as bullet-proof vests) are to be disposed of in accordance with Town policy.

Condition: Bullet-proof vests for two new officers were coded to operating supplies instead of capital assets. Four vests for officers no longer working for the Town and one camera that was beyond repair were not identified on the capital asset schedule as impaired. Several assets could not be located for visual inspection.

Cause: A procedure was not in place in the year-end closing processes to ensure all department heads reviewed the capital asset listing and provided corrections to the Town Clerk/Treasurer within a few months of the prior fiscal year end date. The Police Department had not taken adequate inventory in order to identify capital assets it would no longer be using and properly dispose of them, as well as ensure all assets were accounted for.

Effect: A laptop purchased from the Brevard County Sheriff's Office ("the BCSO") for the Police Department could not be located. The laptop was believed to have been mistakenly traded in for a newer laptop model owned by the BCSO and the Town's laptop is believed to have been disposed of by the BCSO. Several vests issued to previously employed Officers could not be located. Two vests meeting the criteria of capital assets were not included in the initial capital asset schedule submitted for audit.

Recommendation: It is recommended that the Police Department physically inspect all capital assets currently held and compare to the Town's capital asset listing at least annually, inform the Town Clerk/Treasurer of significant impairments of assets, determine which assets should be formally disposed of, follow the Town's physical disposal process to remove the assets from Town property and the capital asset listing, and utilize serial numbers or other identifying information in order to better track capital assets in the future. Also, upon termination from service, all items issued to an Officer should be properly accounted for and impaired assets (such as bullet-proof vests) should be disposed of in accordance with Town policy. It is further recommended that the Town Commission consider increasing the capitalization threshold above the current \$250 amount.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Comment

003 Inspection Fees

Criteria: The Town's fee schedule states that permit applicants will be charged the current rate the Building Official receives plus \$10 for each inspection. The Building Official estimates the number of inspections as part of the permit review process.

Condition: A permit selected for sampling showed the permit holder was charged for an estimated three inspections but the Building Official performed and billed the Town for eight inspections. Another permit showed eight estimated inspections but the actual inspections were nine. The Town currently has not been collecting additional inspection fees or refunding excess inspection fees upon closure of the permit, unless the number of inspections were adjusted due to a change to the permit holder's original plans.

Cause: The Town had not been reconciling the Building Official's invoices with the inspections performed. The Town also has not established a procedure to adjust estimated inspections to actual inspections and obtain additional funds from the permit holder or refund excess inspection amounts to the permit holder.

Effect: The permit holders did not pay for an accurate number of actual inspections.

Recommendation: It is recommended that the Town establish a procedure to reconcile actual inspections to estimated inspections and address adjustments at or before the closure of the permit.

004 Signatures on Timesheets

Criteria: The Town uses timesheets to record an employee's productive time (time worked) and nonproductive time (vacation, holiday, sick pay) for data entry into the accounting system and to facilitate the accurate calculation of an employee's paycheck. Timesheets are to be signed by both the employee and the supervisor and maintained as part of the Town's official payroll records.

Condition: There were four timesheets discovered during testing of the current fiscal year and six additional timesheets were later identified during the period October 1, 2018 through December 31, 2018 that did not contain all required signatures.

Cause: Review processes were not followed to ensure timesheets were properly signed and authorized prior to the issuance of the paycheck or direct deposit advice.

Effect: The employee preparing the Town's payroll would not have assurance the time listed on the timesheet was accurate when calculating payroll.

Recommendation: It is recommended that the Town ensure all required signatures must be on timesheets before direct deposit advices and paychecks are distributed to employees.

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TOWN OF MELBOURNE VILLAGE

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June 26, 2019

The Honorable Mayor Salmon and Town Commission
Town of Melbourne Village
Melbourne Village, Florida

RE: Current Year Comments and Recommendations

Dear Mayor Salmon and Town Commission,

In accordance with rules governing post-audit requirements and our letter of engagement with them, the auditing firm of Crawford CPA, Inc. has provided a Schedule of Current Year Comments and Recommendations. This report is designed to be used as a guide in improving the Town's financial management, accounting procedures, and internal controls.

The following response is given to the report concerning the fiscal year 2017-2018.

Comment 001: Fiscal Year-End Schedule

Recommendation: It is recommended that the Town develop a schedule or checklist to monitor all tasks that must be completed as part of the year-end closing process to facilitate the timely submission of accurate financial reports and other data for audit.

Response: The Town will develop a schedule or checklist to monitor all tasks that must be completed as part of the year-end closing process to facilitate the timely submission of accurate financial reports and other data for audit.

Comment 002: Capital Asset Schedule

Recommendation: It is recommended that the Police Department physically inspect all capital assets currently held and compare to the Town's capital asset listing at least annually, inform the Town Clerk/Treasurer of significant impairments of assets, determine which assets should be formally disposed of, follow the Town's physical disposal process to remove the assets from Town property and the capital asset listing, and utilize serial numbers or other identifying information in order to better track capital assets in the future. Also, upon termination from service, all items issued to an Officer should be properly accounted for and impaired assets (such as bullet-proof vests) should be disposed of in accordance with Town policy. It is further recommended that the Town Commission consider increasing the capitalization threshold above the current \$250 amount.

Comment 002: Capital Asset Schedule (continued)

Response: The Chief of Police has informed the Town Clerk/Treasurer that the Police Department will conduct a thorough inventory of capital assets by August 1, 2019, at which time the current list of assets will be corrected as needed. The Department will begin to utilize serial numbers or other identifying information on the Town's capital asset listing in order to better track the Department's capital assets annually. Serial numbers will be collected from existing capital assets to the extent possible. The Department will inform the Town Clerk/Treasurer of significant impairments of assets each year. The Department will ensure all disposals follow Town policy and will physically remove assets from Town property as soon as practicable. In addition, all Town property issued to Police Officers will be included on the Officer's data sheet. Upon termination of employment, all Town items issued to Police Officers on the data sheet will be properly accounted for and, if appropriate, will be disposed of in accordance with Town policy.

Further, the Town Clerk/Treasurer will recommend to the Town Commission that they consider increasing the capitalization threshold above the current \$250 amount.

Comment 003: Inspection Fees

Recommendation: It is recommended that the Town establish a procedure to reconcile actual inspections to estimated inspections and address adjustments at or before the closure of the permit.

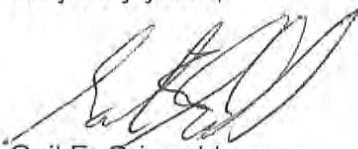
Response: The Town will establish a procedure to reconcile actual inspections to estimated inspections and address adjustments at or before the closure of the permit.

Comment 004: Signatures on Timesheets

Recommendation: It is recommended that the Town ensure all required signatures must be on timesheets before direct deposit advices and paychecks are distributed to employees.

Response: The Town will ensure all required signatures must be on timesheets before direct deposit advices and paychecks are distributed to employees.

Very truly yours,



Gail E. Griswold
Town Clerk/Treasurer

cc: Linda Crawford, CPA, CFE
Auditor General

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and
Members of the Town Commission
Town of Melbourne Village, Florida

I have examined the Town of Melbourne Village, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018, as required by Section 10.550, Rules of the Auditor General. Management is responsible for the Town's compliance with those requirements. My responsibility is to express an opinion on the Town's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that I plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about the Town's compliance with the specified requirements, and performing such other procedures as I considered necessary in the circumstances. The nature, timing, and extent of the procedures selected depends on my judgment, including an assessment of the risks of noncompliance, whether due to fraud or error. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the Town's compliance with the specified requirements.

In my opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

Linda A. Crawford CPA, CFE

Titusville, Florida
June 26, 2019