

TOWN OF MELBOURNE VILLAGE, FLORIDA

Annual Financial Report

September 30, 2019

**TOWN OF MELBOURNE VILLAGE, FLORIDA
TOWN OFFICIALS
AT SEPTEMBER 30, 2019**

Mayor:

Heidi Salmon

Vice-Mayor:

Rand Carroll

Commissioners:

Valerie Calenda
Grayson Dix
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, 2019, 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

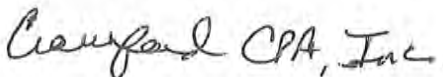
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Melbourne Village, Florida, as of September 30, 2019, and the respective changes in financial position 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 22, 2020 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 22, 2020

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, 2019. 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 \$85,880 over last year.
- Property taxes account for \$436,987 or approximately 51.20 percent of all revenues. This figure was up \$35,429 from last year.
- Other taxes, primarily utility taxes and franchise payments, account for approximately \$207,680 or 24.33 percent of all revenues. This figure was up \$3,031 from the prior year.
- The Town had \$767,548 in expenses related to governmental activities. Total revenues were \$853,428 leaving an excess of revenue over expenses of \$85,880. This excess manifests in the Town's net position as increase in the net capital assets of \$109,455, in restricted funds of \$591, and a decrease in the unrestricted fund balance of \$24,166.
- The Town of Melbourne Village's assets exceeded its liabilities at September 30, 2019 by \$1,949,873. Of this amount, \$335,543 is invested in the Town's capital assets, \$9,535 is restricted for specific purposes, and \$1,604,795 is unrestricted and subject to the Town's discretion. These amounts were increased from the prior year by \$109,455 for capital assets, and by \$591 for restricted assets and decreased by \$24,166 for unrestricted assets.
- The difference between the unrestricted balance of \$1,604,795 on a full accrual basis and the Governmental Funds total fund balances of \$1,629,370 is due to the Town's accrued compensated absences of \$15,040 and the restricted amount of \$9,535. The total fund balance of the Governmental Funds consists of non-spendable, restricted, committed, assigned and unassigned amounts. The Town's committed funds consists of \$1,274,692 in the Town's stabilization fund (Investment Fund A) and \$2,252 in the Stormwater Utility Fund. Non-spendable funds consist of \$8,094 for prepaid items. Assigned funds of \$230,172 are for future expenses of future road resurfacing, tree maintenance and placement, stormwater planning, and a reserve for the Community House. \$104,625 is the Town's unassigned fund balance.
- The unassigned fund balance is equal to approximately 13 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, \$64,425 received from rental fees and set aside for the Community House, \$50,000 set aside for stormwater planning, and \$79 for a historical restoration project. The assigned funds total was reduced this year by \$67,137. As we previously reported, this was 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 was to be designated by the Town Commission for future expenses. The Commission designated this balance to be applied to the engineering and design expenses for the Dayton Blvd. Bridge Replacement project and it is reflected in the Construction in Progress total of \$74,775 under Capital Assets.

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 statements.
- 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, 2018. 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, 2019, and changes from the prior year.

Table 1
Summary Statement of Net Position

	Governmental Activities		
	2019	2018	Change
Current and other assets	\$1,663,219	\$1,682,797	\$ (19,578)
Capital assets, net	335,543	226,088	109,455
	<hr/>	<hr/>	<hr/>
Total assets	1,998,762	1,908,885	89,877
	<hr/>	<hr/>	<hr/>
Long-term liabilities	33,089	20,417	12,672
Other liabilities	15,040	24,025	(8,985)
	<hr/>	<hr/>	<hr/>
Total liabilities	48,129	44,442	3,687
	<hr/>	<hr/>	<hr/>
Deferred inflows of resources	760	450	310
	<hr/>	<hr/>	<hr/>
Net position:			
Net investment in capital assets	335,543	226,088	109,455
Restricted	9,535	8,944	591
Unrestricted	1,604,795	1,628,961	(24,166)
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$1,949,873</u>	<u>\$1,863,993</u>	<u>\$ 85,880</u>

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		
	2019	2018	Change
Revenues			
Program revenues:			
Charges for services	\$ 104,957	\$ 103,912	\$ 1,045
Operating grants/contributions	3,154	3,420	(266)
Capital grants/contributions	26,980	-	26,980
General revenues:			
Property taxes	436,987	401,558	35,429
Sales taxes	40,963	41,187	(224)
Local option motor fuel taxes	19,056	16,939	2,117
Utility taxes and franchise fees	147,661	146,523	1,138
Intergovernmental revenues	20,655	19,799	856
Investment revenue	49,481	16,650	32,831
Miscellaneous revenue	1,034	1,337	(303)
Gain on disposal of capital asset	2,500	-	2,500
Total revenues	853,428	751,325	102,103
Expenses			
General government	197,493	177,333	20,160
Public safety	382,735	374,224	8,511
Physical environment	183,499	182,813	686
Unallocated depreciation	3,821	3,312	509
Total expenses	767,548	737,682	29,866
Change in net position	85,880	13,643	72,237
Net position, beginning	1,863,993	1,850,350	13,643
Net position, ending	\$1,949,873	\$1,863,993	\$ 85,880

- 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 \$767,548.
- Operating Grants and donations provided \$3,154, Capital Grants and donations provided \$26,980, and user fees and charges for services generated \$104,957
- Most of the Town's costs were, however, financed by Town and State taxpayers.
- The difference in revenues from 2018 to 2019 was an increase of \$102,103. The major factors contributing to this increase in revenue were the increase in Property Taxes of \$35,429, in Investment Revenue of \$32,831, a gain of \$2,500 in disposal of capital assets on the sale of a retired squad car, Capital Grants and donations of \$26,980, which includes the donation from the AHF of land valued at \$25,000 next to the Town Garage for a storage building, and various minor changes up and down throughout the budget.
- Property taxes account for the largest source of the Town's revenue, contributing over 51 cents for every dollar of revenue (see Table 3). The millage rate of 9.9707, with the new construction, generated \$35,429 more than in 2018.
- Interest rates have improved quite a bit. Interest is making more of an impact on revenues than in recent years, almost tripling in 2019 year over 2018.
- In summary, governmental activities were financed with \$644,667 in taxes and franchise fees, \$104,957 in charges for services, \$3,154 in operating grants and contributions, \$26,980 in capital grants and donations, \$20,655 in intergovernmental revenue, \$49,481 in investment earnings, \$1,034 in miscellaneous revenue, and \$2,500 in gain on disposal of a capital asset for a total of \$853,428.

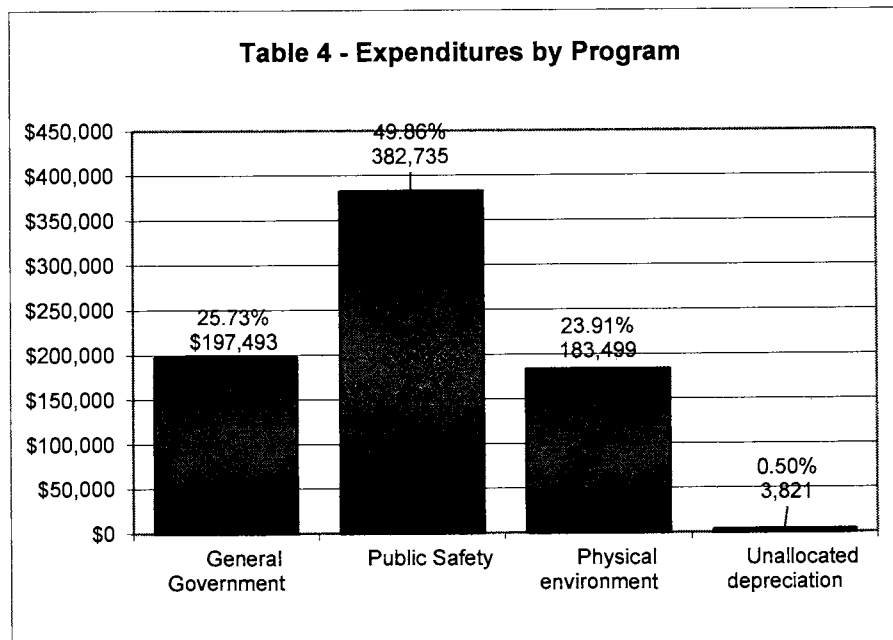
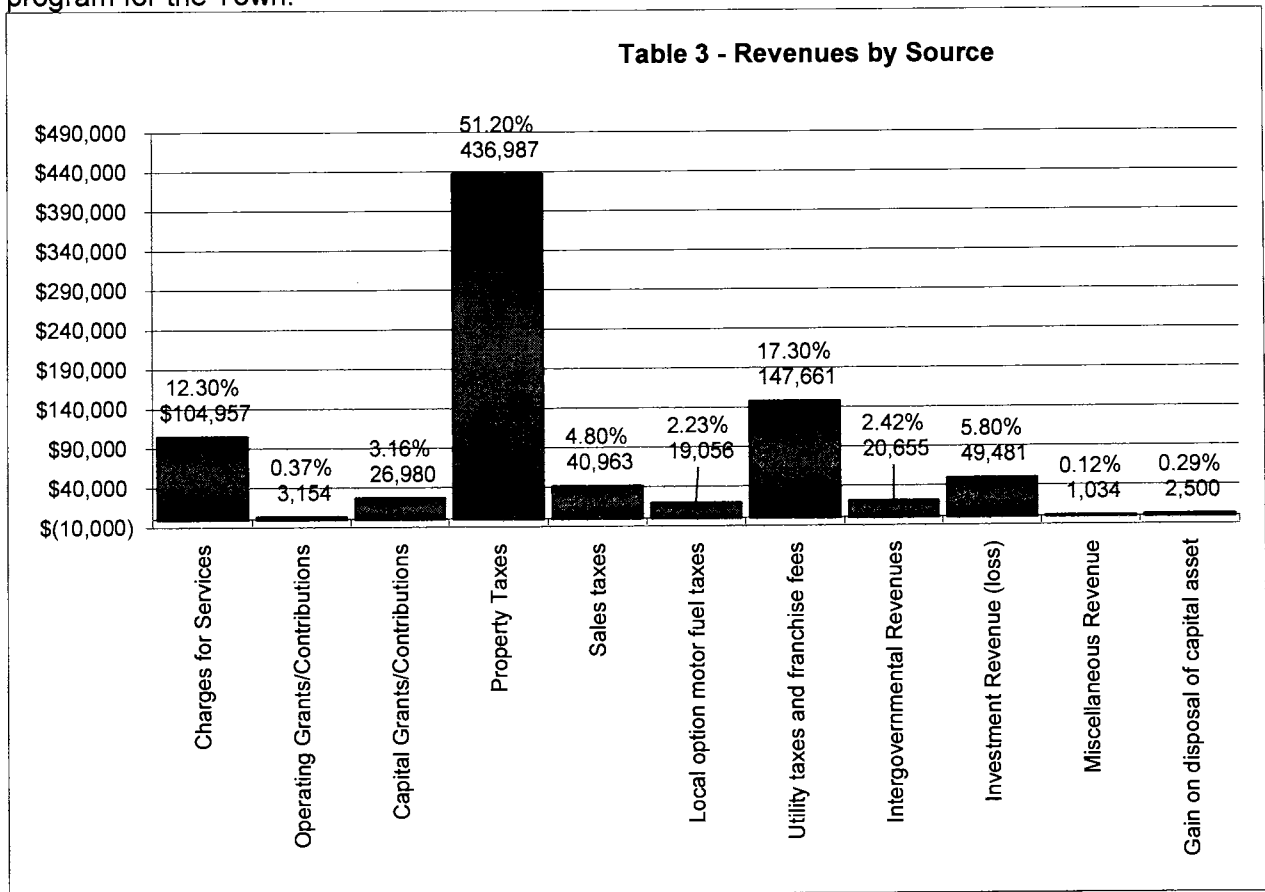
The Town's expenses predominantly relate to law enforcement, public works, and administration services, which includes support for the building permit department and the general governmental functions of the Town. Given that the Town is a service organization providing governmental services to residents,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

Total expenses in 2019 were \$767,548. This was a \$29,866 increase from those of 2018. The most significant contributions to this difference were an increase of \$8,200 in health insurance, an increase of \$15,041 in payroll and payroll related items, and various lesser increases and decreases throughout the budget totaling \$6,625.

The net increase in capital assets was \$109,455. After reducing capital assets by \$39,260 for depreciation, capital activities included the following major increases:

- The Town expended \$74,775 on the first phase of the Dayton Blvd Bridge Project for engineering and design services.
- The Police Department purchased a new 2019 Ford Interceptor for \$34,747.
- The AHF donated land next to the Town Garage for a new storage facility. This land is valued at \$25,000.
- The Public Works Department replaced a Mower with a new Skag mower for \$7,903 and the Dump Trailer with a new one for \$3,650.

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 \$825,927 and expenditures of \$860,987. The net change in fund balance for the year was (\$35,060).

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 2020-01, a revised annual operating budget for the fiscal year 2018-19, in November 2019. The anticipated revenues were increased in the revised budget by \$24,007 due primarily to expected increases in utilities taxes and franchise fees, building permit fees, and investment income, and a few minor adjustments. Anticipated expenditures were increased by \$113,789 from the original budget due to provision for the expenditure of \$74,775 for the Dayton Blvd Bridge project, of \$18,121 in Police payroll related expenses including health insurance, \$13,127 in Administration and General Government expenses including health insurance, and \$17,600 in capital expense for a skag mower, dump trailer, and increased cost of new police vehicle. Other changes totaled a reduction of about \$9,800.

The actual revenues were \$1,956 more than budgeted due to several minor increases.

The actual expenditures were \$21,618 under budget, due to minor overages and savings in various items throughout the budget.

Capital Assets

By the end of the fiscal year 2018-19, the Town had invested \$335,543 (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		
	2019	2018	Change
Land	\$ 65,300	\$ 40,300	\$ 25,000
Construction in progress	74,775	-	74,775
Buildings and improvements	85,415	92,576	(7,161)
Furniture and equipment	50,451	52,714	(2,263)
Vehicles	41,343	12,148	29,195
Infrastructure	18,259	28,350	(10,091)
Total	\$ 335,543	\$ 226,088	\$ 109,455

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. 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 in 2008 through 2012 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. In 2020 the Town Commission made changes in the Health Insurance coverage for Town employees which will, without major reduction in benefits, result in a savings of \$10,000 to \$20,000, depending on enrollment.
- As a result of the economic effects of the Covid-19 shut-down the State may be faced with increasing deficits in funding. 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 will face a short-term reduction in revenue due to lost revenue from the long closure of the Community House.
- Following the completion of the Dayton Blvd project engineering draft and estimate of the cost of replacing the culvert on the M-1 canal at Dayton Blvd., the Town Commission approved proceeding with the construction portion of the project under an interlocal agreement with Brevard County at a construction cost not-to-exceed \$300,000, making the total project estimated cost \$375,000.

The Commission adopted Resolution 2019-06, estimating the share of the project attributable to removing the old culvert and replacing it to be approximately \$235,000, declaring this portion to be a storm-water related expense, and determining that any portion of the storm-water related expense not covered by other funding sources would be covered by a loan to be repaid over a period of up to ten years by an increase to the storm-water utility fee of \$5.00 per month per equivalent residential unit (ERU). While this increase was set for the 2019-20 fiscal year, the Commission determined not to apply the increase until the construction project commenced. The increased utility fee was applied in February 2020.

After reviewing options available for financing, the Town Commission adopted Resolution 2020-01 enabling an interfund loan from the Special Investment Fund to the General Fund to cover the cost of construction not covered by funds on hand or other sources. The portion of the loan covering the replacement of the road, which is estimated to be approximately \$140,000, is to be covered by General Fund revenues, including State Gas Tax, over the loan period.

- Repairs to the Community House were delayed due to the withdrawal of the original contractor. A new contractor was located and the repairs proceeded with minor modifications in 2020.

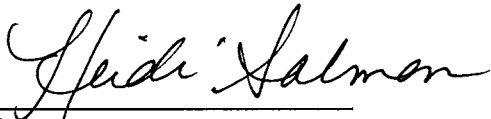
Contacting the Town's Financial Management

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:

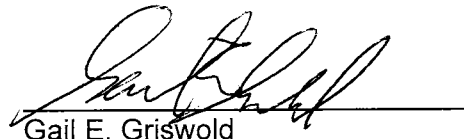
Phone: 321-723-8300

Mail or in person: 555 Hammock Road
Melbourne Village, FL 32904

E-mail: Town@melbournevillage.org



Heidi Salmon
Mayor



Gail E. Griswold
Town Clerk/Treasurer

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,590,866
Accounts receivable	44,861
Prepaid items	8,094
Restricted assets:	
Cash and cash equivalents	9,535
Employee note receivable	9,863
Capital assets (not being depreciated):	
Land	65,300
Construction in progress	74,775
Capital assets (net of accumulated depreciation):	
Buildings and improvements	85,415
Furniture and equipment	50,451
Vehicles	41,343
Infrastructure	18,259
Total assets	<u>1,998,762</u>
LIABILITIES	
Accounts payable and accrued liabilities	32,364
Unearned revenue	725
Noncurrent liabilities:	
Due within one year	3,760
Due in more than one year	11,280
Total liabilities	<u>48,129</u>
DEFERRED INFLOWS OF RESOURCES	
Business taxes not yet earned	<u>760</u>
Total deferred inflows of resources	<u>760</u>
NET POSITION	
Net investment in capital assets	335,543
Restricted for:	
Transportation (impact fees)	9,207
Public safety (impact fees)	100
Law enforcement trust fund	137
Law enforcement education	91
Unrestricted	<u>1,604,795</u>
Total net position	<u>\$ 1,949,873</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Capital Grants/ Contributions</u>	
Governmental activities:					
General government	\$ 197,493	\$ 45,475	\$ 655	\$ -	\$ (151,363)
Public safety	382,735	11,465	2,499	1,980	(366,791)
Physical environment	183,499	48,017	-	25,000	(110,482)
Unallocated depreciation	3,821	-	-	-	(3,821)
Total government	<u>\$ 767,548</u>	<u>\$ 104,957</u>	<u>\$ 3,154</u>	<u>\$ 26,980</u>	<u>(632,457)</u>

General revenues:	
Property taxes	436,987
Sales taxes	40,963
Local option motor fuel taxes	19,056
Utility taxes and franchise fees	147,661
Intergovernmental revenues	20,655
Investment income (loss)	49,481
Miscellaneous revenues	1,034
Gain on disposal of capital asset	2,500
Total general revenues	<u>718,337</u>
Change in net position	85,880
Net position - beginning	<u>1,863,993</u>
Net position - ending	<u>\$ 1,949,873</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Stormwater Utility Fund</u>	<u>Investment Fund A</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 316,174	\$ -	\$ 1,274,692	\$ 1,590,866
Accounts receivable	30,840	14,021	-	44,861
Prepaid items	8,094	-	-	8,094
Due from other funds	11,500	-	-	11,500
Restricted assets:				
Cash and cash equivalents	9,535	-	-	9,535
Employee note receivable	9,863	-	-	9,863
Total assets	<u>\$ 386,006</u>	<u>\$ 14,021</u>	<u>\$ 1,274,692</u>	<u>\$ 1,674,719</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 32,095	\$ 269	\$ -	\$ 32,364
Due to other funds	-	11,500	-	11,500
Unearned revenue	725	-	-	725
Total liabilities	<u>32,820</u>	<u>11,769</u>	<u>-</u>	<u>44,589</u>
Deferred Inflows of Resources				
Business taxes not yet earned	760	-	-	760
Total deferred inflows of resources	<u>760</u>	<u>-</u>	<u>-</u>	<u>760</u>
Fund Balances				
Nonspendable	8,094	-	-	8,094
Restricted	9,535	-	-	9,535
Committed	-	2,252	1,274,692	1,276,944
Assigned	230,172	-	-	230,172
Unassigned	104,625	-	-	104,625
Total fund balances	<u>352,426</u>	<u>2,252</u>	<u>1,274,692</u>	<u>1,629,370</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 386,006</u>	<u>\$ 14,021</u>	<u>\$ 1,274,692</u>	<u>\$ 1,674,719</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Fund balances - total governmental funds	\$ 1,629,370
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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	\$	65,300	
Construction in progress		74,775	
Buildings and improvements, net		85,415	
Furniture and equipment, net		50,451	
Vehicles, net		41,343	
Infrastructure, net		18,259	335,543

Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds	(15,040)
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Net position of governmental activities	<u><u>\$ 1,949,873</u></u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Stormwater Utility Fund	Investment Fund A	Total Governmental Funds
REVENUES				
Taxes and franchise fees	\$ 603,704	\$ -	\$ -	\$ 603,704
Licenses and permits and other fees	32,862	48,017	-	80,879
Intergovernmental revenues	66,325	-	-	66,325
Fines and forfeitures	2,731	-	-	2,731
Investment income (net)	8,374	-	41,107	49,481
Miscellaneous revenue	22,807	-	-	22,807
Total revenues	<u>736,803</u>	<u>48,017</u>	<u>41,107</u>	<u>825,927</u>
EXPENDITURES				
Current				
General government	197,520	-	-	197,520
Public safety	379,039	-	-	379,039
Physical environment	157,488	3,225	-	160,713
Capital outlay	123,715	-	-	123,715
Total expenditures	<u>857,762</u>	<u>3,225</u>	<u>-</u>	<u>860,987</u>
Excess (deficiency) of revenues over (under) expenditures	(120,959)	44,792	41,107	(35,060)
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	-	-	45,000
Transfers out	-	(45,000)	-	(45,000)
Gain on disposal of capital asset	2,500	-	-	2,500
Total other financing sources (uses)	<u>47,500</u>	<u>(45,000)</u>	<u>-</u>	<u>2,500</u>
Net change in fund balances	<u>(73,459)</u>	<u>(208)</u>	<u>41,107</u>	<u>(32,560)</u>
Fund balances, beginning of year	425,885	2,460	1,233,585	1,661,930
Fund balances, end of year	<u>\$ 352,426</u>	<u>\$ 2,252</u>	<u>\$ 1,274,692</u>	<u>\$ 1,629,370</u>

The accompanying notes are an integral part of this financial statement.

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, 2019

Net change in fund balances - total governmental funds \$ (32,560)

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 depreciation exceeded capital outlays in the current period:

Expenditure for capital assets	\$ 123,715	
Current year depreciation	<u>(39,260)</u>	84,455

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		8,985
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Donated capital assets intended for use as general capital assets of the Town do not require the use of current financial resources and, therefore, are not reported as donations in governmental funds. These include:

Land donated for storage unit use		<u>25,000</u>
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Change in net position of governmental activities		<u><u>\$ 85,880</u></u>
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The accompanying notes are an integral part of this financial statement.

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Taxes and franchise fees	\$ 592,575	\$ 600,912	\$ 603,704	\$ 2,792
Licenses and permits and other fees	29,350	33,037	32,862	(175)
Intergovernmental revenues	64,015	65,117	66,325	1,208
Fines and forfeitures	3,000	2,670	2,731	61
Investment income (net)	1,000	7,830	8,374	544
Miscellaneous revenue	20,900	25,281	22,807	(2,474)
Total revenues	<u>710,840</u>	<u>734,847</u>	<u>736,803</u>	<u>1,956</u>
EXPENDITURES				
Current				
General government	198,526	211,653	197,520	14,133
Public safety	361,856	379,977	379,039	938
Physical environment	170,709	235,650	157,488	78,162
Capital outlay	34,500	52,100	123,715	(71,615)
Total expenditures	<u>765,591</u>	<u>879,380</u>	<u>857,762</u>	<u>21,618</u>
Excess (deficiency) of revenues over (under) expenditures	(54,751)	(144,533)	(120,959)	23,574
OTHER FINANCING SOURCES (USES)				
Transfers in	51,000	53,000	45,000	(8,000)
Gain on disposal of capital asset	-	-	2,500	2,500
Total other financing sources (uses)	<u>51,000</u>	<u>53,000</u>	<u>47,500</u>	<u>(5,500)</u>
Net change in fund balances	(3,751)	(91,533)	(73,459)	18,074
Fund balances, beginning of year	<u>425,885</u>	<u>425,885</u>	<u>425,885</u>	<u>-</u>
Fund balances, end of year	<u>\$ 422,134</u>	<u>\$ 334,352</u>	<u>\$ 352,426</u>	<u>\$ 18,074</u>

The accompanying notes are an integral part of this financial statement.

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Licenses and permits and other fees	\$ 49,500	\$ 49,500	\$ 48,017	\$ (1,483)
Total revenues	<u>49,500</u>	<u>49,500</u>	<u>48,017</u>	<u>(1,483)</u>
EXPENDITURES				
Current				
Physical environment	4,500	4,500	3,225	1,275
Total expenditures	<u>4,500</u>	<u>4,500</u>	<u>3,225</u>	<u>1,275</u>
Excess (deficiency) of revenues over (under) expenditures	45,000	45,000	44,792	(208)
OTHER FINANCING SOURCES (USES)				
Transfers out	(45,000)	(45,000)	(45,000)	-
Total other financing sources (uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Net change in fund balances	-	-	(208)	(208)
Fund balances, beginning of year	<u>2,460</u>	<u>2,460</u>	<u>2,460</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,460</u>	<u>\$ 2,460</u>	<u>\$ 2,252</u>	<u>\$ (208)</u>

The accompanying notes are an integral part of this financial statement.

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Investment income (net)	\$ 13,000	\$ 17,000	\$ 41,107	\$ 24,107
Total revenues	<u>13,000</u>	<u>17,000</u>	<u>41,107</u>	<u>24,107</u>
EXPENDITURES				
Current				
General government	1,000	1,000	-	1,000
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,000</u>	<u>16,000</u>	<u>41,107</u>	<u>25,107</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,000)	(8,000)	-	8,000
Total other financing sources (uses)	<u>(6,000)</u>	<u>(8,000)</u>	<u>-</u>	<u>8,000</u>
Net change in fund balances	6,000	8,000	41,107	33,107
Fund balances, beginning of year	<u>1,233,585</u>	<u>1,233,585</u>	<u>1,233,585</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 1,239,585</u></u>	<u><u>\$ 1,241,585</u></u>	<u><u>\$ 1,274,692</u></u>	<u><u>\$ 33,107</u></u>

The accompanying notes are an integral part of this financial statement.

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TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 other 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, 2019

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, 2019

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, 2019

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 Local Government Surplus Funds Trust Fund (currently "Florida PRIME"), the Florida Local Government Investment Trust (FLGIT), and other similarly constituted funds.

Florida PRIME is an external investment pool that seeks to operate in a manner consistent with the criteria and requirements in GASB 79, including diversification, credit quality and maturity conditions. Accordingly, portfolio assets in the fund are reported using the amortized cost method and the fund seeks to maintain a stable Net Asset Value (NAV) of \$1.00 per share. The fair value of the position in the pool is substantially equal to the value of the pool shares. The dollar weighted average days to maturity and weighted average life as of September 30, 2019 were 37 days and 85 days, respectively, and there were no redemption fees, maximum transaction amounts, 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.

FLGIT Day-to-Day Fund is an external investment pool that has characteristics consistent with GASB 79 requirements to allow measurement of its investments at amortized cost. As a result, the pool seeks to maintain a stable Net Asset Value (NAV) of \$1.00 per share. The fair value of the position in the pool is substantially equal to the value of the pool shares. There were no redemption fees, maximum transaction amounts or restrictions on withdrawals. The weighted average maturity for securities held in the Day-to-Day Fund as of September 30, 2019 was 32.42 days.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

a. *Cash and investments (continued)*

FLGIT Short-Term Bond Fund is an external investment pool that is accounted for as a fluctuating or Variable Net Asset Value (VNAV) pool. The value of the pool is reflected in its estimates of the market value of the underlying securities rather than their amortized cost and will fluctuate based on market conditions. The fair value of the position in the pool is substantially equal to the value of the pool shares. There are no redemption fees, maximum transaction amounts or restrictions on withdrawals. The weighted average maturity for securities held in the Short-Term Bond Fund as of September 30, 2019 was 2.35 years.

In June 2019, the Town Commission repealed the Town Investment Policy, defaulting to the State of Florida statutory investment restrictions as provided in section 218.415 (17) Fla. Statutes.

Under the provisions of the statute, those units of local government electing not to adopt a written investment policy in accordance with investment policies developed as provided in 218.415 subsections (1)-(15) Fla. Statutes may invest or reinvest any surplus public funds in their control or possession in:

- (a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in section 163.01 Fla. Statutes.
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in section 280.02 Fla. Statutes.
- (d) Direct obligations of the U.S. Treasury.

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, 2019, there was a balance due to the General Fund from the Stormwater Utility Fund in the amount \$11,500.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

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.

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. Through March 2019, capital assets were 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. In April 2019, the Town increased this amount to \$1,000. Assets purchased under the previous standard have not been removed from the capital assets accounting and will remain there until removed for disposal or other authorized reason. 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, 2019 consists primarily of rental fees collected in advance for subsequent year usage of the Town's Community House.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

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, 2019 consists of prepaid business taxes due to the Town on October 1 each year.

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, 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.

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.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

h. Fund balance (continued)

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.

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 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.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, except appropriation for capital expenditure, to the extent not expended or encumbered, lapse at the end of each fiscal year. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned either by positive action or by the passage of three years without any disbursement from or encumbrance of the appropriation.

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

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, 2019, including restricted cash and cash equivalents of \$9,535, were as follows:

Deposits (in bank)	\$	39,143
Cash on hand		135
SBA Florida PRIME		286,431
FLGIT Day-to-Day Fund		378,923
FLGIT S/T Bond Fund		895,769
		895,769
	\$	1,600,401

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, 2019, the bank balance was \$40,358. 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. All investments are held by the Town's agent in the Town's name.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE C - DEPOSITS AND INVESTMENTS (continued)

Credit quality risk - Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings of the Town's investments are listed in the table below.

At September 30, 2019, the Town reported the following fair value methods, credit ratings and investment holdings percentages:

Investment Type	Fair Value Method	Credit Rating (as applicable)	Available Funds at Fair Value	Percentage of Available Funds
Deposits in bank (1)	N/A	N/A	\$ 40,358	2.50%
SBA Florida PRIME	Amortized Cost	AAAm	286,431	17.90%
FLGIT Day-to-Day Fund	Amortized Cost	AAAm	378,923	23.70%
FLGIT S/T Bond Fund	VNAV	AAAf	895,769	55.90%
			<u>\$ 1,601,481</u>	<u>100.00%</u>

(1) Bank balance at 9/30/19.

NOTE D - RECEIVABLES

Short-term Receivables - balances expected to be collected within one year

Short-term receivables as of September 30, 2019 consisted of the following:

	General Fund	Stormwater Utility Fund
Accounts	\$ 21,197	\$ -
Intergovernmental	9,643	14,021
Total	<u>\$ 30,840</u>	<u>\$ 14,021</u>

Long-term Receivables - balances not expected to be collected within one year

Long-term receivables as of September 30, 2019 consisted of \$9,863 due from an employee. The balance will be repaid in 104 bi-weekly amounts beginning March 6, 2020 at no interest rate.

The Town considers all receivables to be fully collectible at September 30, 2019; therefore, no allowance for doubtful accounts has been recorded.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 40,300	\$ 25,000	\$ -	\$ 65,300
Construction in progress	-	74,775	-	74,775
Total capital assets not being depreciated	40,300	99,775	-	140,075
Capital assets being depreciated:				
Buildings and improvements	259,862	-	2,053	257,809
Furniture and equipment	199,595	10,543	47,168	162,970
Vehicles	103,082	38,397	12,340	129,139
Infrastructure	151,366	-	-	151,366
Total capital assets being depreciated	713,905	48,940	61,561	701,284
Less accumulated depreciation for:				
Buildings and improvements	167,286	7,161	2,053	172,394
Furniture and equipment	146,882	12,805	47,168	112,519
Vehicles	90,933	9,203	12,340	87,796
Infrastructure	123,016	10,091	-	133,107
Total accumulated depreciation	528,117	39,260	61,561	505,816
Capital assets, net	<u>\$ 226,088</u>	<u>\$ 109,455</u>	<u>\$ -</u>	<u>\$ 335,543</u>

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

General government	\$ 1,855
Public safety	11,792
Physical environment	21,792
Unallocated	3,821
Total	<u>\$ 39,260</u>

Depreciation expense in the amount of \$3,821 for capital assets that serve all governmental functions was not allocated to the functions/programs of the Town for fiscal year ended September 30, 2019.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 General Fund at September 30, 2019 were as follows:

Current payables due to vendors	\$	16,095
Salaries and wages payable and related liabilities		8,823
Intergovernmental		1,941
Deposits		5,505
		5,505
Total	\$	32,364

NOTE G - LONG-TERM OBLIGATIONS

Changes in accrued compensated absences for the year ended September 30, 2019 are summarized as follows:

		Governmental Activities
Compensated absences, beginning of year	\$	24,025
Additions		22,285
Reductions		31,270
		31,270
Compensated absences, end of year	\$	15,040
Amounts due within one year	\$	3,760

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE H - FUND BALANCES

Fund balances as of September 30, 2019 consisted of the following:

	General Fund	Stormwater Utility Fund	Investment Fund A
Nonspendable			
Prepaid items	\$ 8,094	\$ -	\$ -
Restricted			
Transportation	9,207	-	-
Public safety	328	-	-
Committed	-	2,252	1,274,692
Assigned			
Community house	64,425	-	-
Stormwater planning	50,000	-	-
Road and streets	109,587	-	-
Forestry	6,081	-	-
Curtain restoration	79	-	-
Unassigned	104,625	-	-
Total	\$ 352,426	\$ 2,252	\$ 1,274,692

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, 2019 was \$45,000.

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, 2019, the Town's matching contributions totaled \$15,830. In accordance with current professional pronouncements, the Town has not included such funds in its financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019 totaled \$54,662. Settled claims have not exceeded the Town's insurance coverage in any of the past three years.

NOTE L - SUBSEQUENT EVENTS

Following the completion of the Dayton Blvd project engineering draft and estimate of the cost of replacing the culvert on the M-1 canal at Dayton Blvd., the Town Commission approved proceeding with the construction portion of the project under an interlocal agreement with Brevard County at a construction cost not-to-exceed \$300,000, making the total project estimated cost to be approximately \$375,000. In January 2020, the Town deposited \$77,776 with Brevard County and construction began in March 2020.

The Commission adopted Resolution 2019-06, estimating the share of the project attributable to removing the old culvert and replacing it to be approximately \$235,000, declaring this portion to be a storm-water related expense, and determining that any portion of the storm-water related expense not covered by other funding sources would be covered by a loan to be repaid over a period of up to ten years by an increase to the storm-water utility fee of \$5.00 per month per equivalent residential unit (ERU). While this increase was set for the 2019-20 fiscal year, the Commission determined not to apply the increase until the construction project commenced. The increased utility fee was applied in February 2020.

After reviewing options available for financing, the Town Commission adopted Resolution 2020-01 enabling an interfund loan from Investment Fund A to the General Fund to cover the cost of construction not covered by funds on hand or other sources. The portion of the loan covering the replacement of the road, which is estimated to be approximately \$140,000, is to be covered by General Fund revenues, including State Gas Tax, over the loan period.

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, 2019, 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 22, 2020.

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the Town in a separate letter dated June 22, 2020.

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.

Crawford CPA, Inc.

Titusville, Florida
June 22, 2020

INDEPENDENT AUDITOR'S 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, 2019, and have issued my report thereon dated June 22, 2020.

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 my 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 22, 2020, 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 *Continuing Education on Investments* - Corrected June 2019

b. Status of Prior Year Comments and Recommendations:

- 1) Comment 001 *Fiscal Year-End Schedule* - Repeated as Comment 001 in FY 2019 (similar Comment in FY 2018 as Comment 001 and in FY 2017 as Comment 005)
- 2) Comment 002 *Capital Asset Schedule* - Corrected
- 3) Comment 003 *Inspection Fees* - Repeated as Comment 003 in FY 2019 (similar Comment in FY 2018 as Comment 003)
- 4) Comment 004 *Signatures on Timesheets* - Corrected

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.

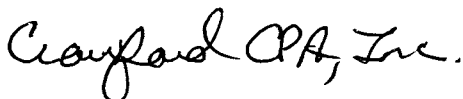
Section 10.554(1)(i)2., Rules of the Auditor General, requires that I communicate any recommendations to improve the Town's financial management. In connection with my audit, I consider the comments listed in the attached Schedule of Current Year Comments and Recommendations, to be recommendations to 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 22, 2020

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Comment

001

Fiscal Year-End Schedule

Criteria: A schedule of due dates for completion of each major year-end process was created that served to inform all parties of expected turnaround times required to meet deadlines, assist the Town in ensuring significant deadlines were not missed, and to facilitate the timely delivery of final financial statements for audit. In addition, routine general ledger account maintenance is essential to ensuring the Town's account balances are free of perpetual uncorrected errors.

Condition: The agreement in the audit contract to provide the auditor with a final trial balance and complete set of financial statements no less than thirty (30) days prior to the expected delivery of bound annual financial reports was not met even though the year-end schedule provided ample time to meet this clause. In addition, significant (but not material) errors or conditions existed in a handful of general ledger liability accounts that were not corrected in a timely manner.

Cause: Although the schedule was created, it was not followed in its entirety. In addition, the schedule did not include the task of reviewing, investigating and correcting general ledger account errors routinely throughout the fiscal year, with a final review at year-end to ensure errors have been corrected when possible.

Effect: While several tasks on the year-end schedule were completed in a timely manner, the Town's thirty (30) day audit contract clause was not met. The result of not routinely reviewing and correcting errors in general ledger accounts was (1) a delay in identifying a recurring amount that should have been deducted from an employee's paycheck; and (2) a delay in receiving a significant amount from the IRS due to an overpayment of payroll taxes.

Recommendation: It is recommended that the Town adhere to the established year-end schedule in order to facilitate the timely submission of accurate financial reports and other data for audit and to add to the schedule the reviewing, investigating and correcting of errors throughout the year so that errors are corrected in a timelier manner, making account reconciliations less burdensome during the year-end closing process.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Comment

002

Grant Administration and Accounting

Criteria: Revenue from grants should be recognized when the grant amount is susceptible to accrual, meaning the revenue should be recognized as measurable when the applicable eligibility requirements, including time requirements, are met. Grants administrators - those initiating and submitting grants on behalf of the Town - should notify those responsible for recording and monitoring payment on the grants of each grant submission and its eligibility requirement(s). Grants should be accounted for in accordance with U.S. GAAP and properly monitored until grant monies are received and the grant can be closed.

Condition: Upon request of the auditor, revenues received from grants could not be readily correlated by the Town's Administrative staff with grant-related expenditures to verify whether all grant monies applied for had been received. A grant applied for in September 2019 was unknowingly rejected and the issue not discovered until February 2020.

Cause: Information for some grants submitted was not given to the Town's Administrative staff for proper recording and monitoring. Grants applied for were not assigned a unique identifier for easy tracking and were not traced through to receipt of funds. Grant receivables, such as the rejected September 2019 grant, were not posted to the accounting system at the time the grants met all eligibility requirements.

Effect: The status of several grants applied for during FY 2019 was not readily known or able to be traced in the accounting system. Had the information about the September 2019 rejected grant been entered into the accounting system as a grant receivable and properly monitored, the discovery of the system reject may have occurred sooner. If the Town's Administrative staff had notified the grant administrator that the grant funds had not been received in the expected two to three month period following submission, the grant administrator may have been able to identify the problem with the grant submission and correct it in a more timely manner.

Recommendation: For all grants submitted, it is recommended that sufficient information be provided to the Town's Administrative staff for proper recording and monitoring of the grant. It is further recommended that each grant be (1) assigned a unique identifying number, (2) recorded upon meeting eligibility requirements or soon thereafter, and (3) traced until the monies are received and the grant is formally closed, upon which the grant administrator should be notified of the closure.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Comment

003 Building Permits and Inspection Fees

Criteria: The Town's fee schedule varies in its application of construction costs. Window installation is charged a flat fee, while doors are charged a fee on a cost of construction basis. The fee schedule also 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: Two permits selected for testing showed a combination of doors and windows on the permit application in the estimated cost section, without providing a breakdown for doors separately from windows to facilitate an accurate permit fee calculation. Four of the permits selected for testing showed the permit holder was charged for a different number of inspections than the Town paid the Building Official to perform. The Town had 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: Due to the current fee structure, the combining of the costs of windows and doors would require Town Administrative staff or the Building Official to contact the permit applicant for a breakdown of the projected cost of each. This had not been occurring. With the transition in personnel, the Town still had not been reconciling the Building Official's invoices with the inspections performed prior to closing out the permit.

Effect: The combination in the estimated cost on the permit application of two construction components like the cost of doors combined with the cost of windows into one total, each of which requiring such different fee calculation methods, made it impossible for the auditor to determine if the calculations were accurate. Several permit holders may not have paid for an accurate number of actual inspections.

Recommendation: It is recommended that the Town (1) consider whether the current fee structure or permit application is adequate for the Town's needs with regard to permit applications that contain combinations of construction components that are not entirely calculated on either a fee by cost basis or a flat fee basis, and (2) ensure actual inspections are reconciled with estimated inspections and differences resolved on or before the closure of the permit.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Comment

004

Purchasing Policy

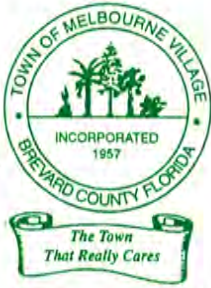
Criteria: The Town's purchasing policy is intended to clearly describe the requirements of the procurement process. Purchases between \$250.01 and \$2,500 require a purchase order signed by the Mayor. Purchases over \$2,500 require Commission approval. Any purchase of an item, group of related items, or service, the cost of which exceeds \$250.00, requires at least one additional price comparison, with the exception of sole source items or services.

Condition: Audit testing discovered varying interpretations of the purchasing policy's requirement for purchase orders and quotes by new Town personnel. Several purchases in excess of \$250 were not authorized by the Mayor via purchase order. The reasons for sole source purchases were also not stated. A payment in April 2019 in excess of \$2,300 was intended to be a sole source procurement but the purchase did not list the expenditure as such. A payment in October 2018 in excess of \$3,400 was approved by the Mayor but not the Town Commission. The purchase order for a payment in May 2019 of \$375 for a rush order did not note a verbal approval by the Mayor with a subsequent signature by the Mayor validating the verbal authorization.

Cause: The purchasing policy should be more specific with regard to when a purchase order is required, such as whether the requirement to obtain a purchase order is based on an individual unit price, based on the total purchase or some other criteria. With regard to obtaining price comparisons, the policy uses the phrase "group of related items" that can also vary in interpretation. Sole source purchases were not required by the policy to include the reason for sole source use.

Effect: Auditor was unable to determine definitively whether the policy was followed for several items selected for testing that were over \$250 in total. The policy was not followed for the October 2018 and May 2019 purchases. With the sole source justification not being required by the policy, the Town is not mitigating potential abuses, such as a requestor favoring a vendor above other less expensive but equally qualified vendors.

Recommendation: It is recommended that (1) the Town consider revising its purchasing policy to further clarify when a purchase order or comparative quotes are required, (2) sole source purchases include the reason for using the sole source option, and (3) Town Department Heads ensure compliance with the policy.



TOWN OF MELBOURNE VILLAGE

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

Telephone: (321) 723-8300 • Fax (321) 984-7219

Email: tmv@fdn.com

June 22, 2020

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 2018-2019.

Comment 001: Fiscal Year-End Schedule

Recommendation: It is recommended that the Town adhere to the established year-end schedule in order to facilitate the timely submission of accurate financial reports and other data for audit and to add to the schedule the reviewing, investigating and correcting of errors throughout the year so that errors are corrected in a timelier manner, making account reconciliations less burdensome during the year-end closing process.

Response: The Town will adhere to the established year-end schedule and will add a quarterly review process as part of the year-end closing process to minimize the errors existing in account balances at the year-end closing time.

Comment 002: Grant Administration and Accounting

Recommendation: For all grants submitted, it is recommended that sufficient information be provided to the Town's Administrative staff for proper recording and monitoring of the grant. It is further recommended that each grant be (1) assigned a unique identifying number, (2) recorded upon meeting eligibility requirements or soon thereafter, and (3) traced until the monies are received and the grant is formally closed, upon which the grant administrator should be notified of the closure.

Comment 002: Grant Administration and Accounting (continued)

Response: The Town will establish a process by which information for each grant submitted will be provided to the Town's Administrative staff, who will (1) assign a unique identifying number, (2) record the grant upon meeting eligibility requirements or soon thereafter, and (3) trace until the monies are received and the grant is formally closed, upon which the grant administrator will be notified of the closure.

Comment 003: Building Permits and Inspection Fees

Recommendation: It is recommended that the Town (1) consider whether the current fee structure or permit application is adequate for the Town's needs with regard to permit applications that contain combinations of construction components that are not entirely calculated on either a fee by cost basis or a flat fee basis, and (2) ensure actual inspections are reconciled with estimated inspections and differences resolved on or before the closure of the permit.

Response: The Town will review the current fees and make suitable recommendations to the Town Commission regarding fees by cost vs. flat fees for some construction components. The Town will ensure actual inspections are reconciled with estimated inspections and that differences are resolved on or before the closure of the permit.

Comment 004: Purchasing Policy

Recommendation: It is recommended that (1) the Town consider revising its purchasing policy to further clarify when a purchase order or comparative quotes are required, (2) sole source purchases include the reason for using the sole source option, and (3) Town Department Heads ensure compliance with the policy.

Response: The Town will review the purchasing policy for clarity and establish a process for documenting sole source purchases, and Department Heads will ensure compliance with the policy.

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*, during the year ended September 30, 2019, 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 with the specified requirements 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 those requirements. The nature, timing, and extent of the procedures selected depend on my judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. I believe the evidence I obtained is sufficient and appropriate to provide 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 requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019.

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.

Crawford CPA, Inc

Titusville, Florida
June 22, 2020